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Beijing Readies Army for Hong Kong

By Kevin Murphy... HONG KONG — Specially trained People's Liberation Army units will be deployed in central Hong Kong areas soon after the British colony reverts to Chinese rule in 1997, a senior Chinese military official said Friday in Beijing.

China's first public disclosure of its military plans for Hong Kong — a point of contention since Britain and China first opened negotiations on the transfer of sovereignty — was greeted with deep concern by Hong Kong politicians whose constituents carry vivid memories of the army's role in the Beijing crackdown on pro-democracy demonstrators in 1989.

Hong Kong is already nervous about the continuing dispute between Britain and China over political reform in the colony as well as the potential spillover from China's efforts to restrain its overheating economy.

"We will have stricter requirements and higher demands on Chinese troops so they can do a better job fulfilling their defense role in the territory," said Xu Huzi, deputy chief of the army's general staff.

Details of the military's plans coincided with the inaugural meeting of Beijing's Preparatory Work Subcommittee, which has been set up to script China's reversion of Hong Kong. It is seen by many pundits as a possible rival — and destabilizing — administration to the Hong Kong government in the run-up to 1997.

General Xu, one of the preparatory group's members, said in Beijing that troops now being trained in adjacent Guangdong Province would be schooled in Hong Kong laws, English, the local Cantonese dialect and other languages for their assignment.

China's military treaties concerning the establishment of a Special Administrative Region for Hong Kong, which will operate for 50 years starting on July 1, 1997, specify that the commander of the PLA troops in Hong Kong when the territory reverts to China.

But agreement on whether the army would increment military properties now garrisoned by British forces has never been reached in numerous Chinese-British talks.

See COLONY, Page 5



HIGH WATERS — A woman waving from her half-submerged house in West Alton, Missouri, on Friday as floodwaters continued to rise in the St. Louis area. Page 3.

Survival of EC Money Grid Hangs in Balance

By Carl Gewirtz

PARIS — The European Monetary System suffered another day of testing Friday, as visible and frequent forecasts of concerted intervention by eight central banks barely succeeded in keeping the Danish krone within the system's 6 percent target range.

Italy was last year, the French franc would come under intolerable pressure. Since the franc and the Deutsche mark are the system's core currencies, the system would collapse if the franc were forced out.

To help relieve the strain on the krone, Denmark raised its official discount rate to 9.25 from 7.25 percent, effective Monday, following Thursday's increase in its key securities purchase rate to 9 percent from 7.8 percent.

Late Friday, the Dutch central bank tried to lead a band by reducing a key money market rate to 6.6 from 6.7 percent in an attempt to make its currency less attractive relative to the krone. The Danish currency, at 3.4533 kroner to the Dutch guilder, was near its floor in the

currency grid, which is 3.4624 kroner to the guilder.

Reflecting the intense speculation, the cost of overnight money in Denmark soared to 35 percent. But with unemployment running at almost 13 percent, inflation at just 1 percent and economic output down 1.6 percent in the first quarter of the year, analysts insist that Denmark's increase in interest rates to protect the currency lacks credibility.

"The increase in Danish rates is unsustainable and counterproductive," said Neil MacKinnon at Citibank in London. "It can only deepen and extend the recession. With no chance of recovery, the pressure on the krone can only increase."

The French franc remained weak Friday but was mostly a bystander. In late trading, the franc stood at 3.4153 to the mark, slightly stronger than Thursday and still some distance from its floor of 3.4305 in the monetary grid.

Analysts said traders focused on the krone because it was an easier "target" than the franc in the long-running battle between European governments committed to fixed exchange rates and market participants skeptical that governments can afford to maintain the high level of interest rates needed to hold the exchange rate.

"The market in Denmark is smaller, inflation is lower, unemployment is higher and the level

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Attali Hastens Exit From European Bank After New Revelations

By Erik Ipsen

LONDON — Following scathing revelations of mismanagement contained in a new report, the European Bank for Reconstruction and Development announced Friday that Jacques Attali would leave his post as president immediately rather than wait for a successor to be named.

The damning report indicated that the original source of the charges of overexpanding at the EBRD — the vast sums spent on Carrara marble and custom-built curved doors at its new headquarters — was far from the bank's most egregious failing. It disclosed, among other things, that the EBRD had operated offices in Paris since its inception without its board of directors' knowledge and that Mr. Attali used bank funds for personal expenses that were reimbursed only after the audit was begun.

The audit committee's long-awaited report comes three weeks after Mr. Attali said he would resign in the face of growing allegations of misconduct. The report, which submitted to

the bank's board shortly before midnight Thursday, was followed Friday by a statement from the bank announcing Mr. Attali's departure.

"The report levels serious criticism on some of President Attali's actions," Anne Wibble, the Swedish finance minister who is also chairman of the bank's board of governors said in a statement.

Her statement was conspicuously lacking in any words of praise for Mr. Attali's work at the bank, which was formed to help the struggling

nations of Eastern Europe to develop Western-style market economies.

Among the bigger surprises in the report was the news that the bank operates offices in Paris, most recently on the Boulevard de la Madeleine, without the knowledge of the board. "We have often asked ourselves why this was not brought to the board of directors," said Claes de Neergaard, the 43-year-old Swedish director who chaired the audit committee, at a news conference.

The audit committee said that the office was never mentioned to the board "either in connection with a policy on offices or in connection with a budget." Nor did the audit committee initially believe management's explanation that the phantom office had been paid for out of a separate 5 million French franc (\$850,000) fund set up by the French government.

In an echo of the Watergate scandal in America, the report said that it had experienced difficulty in verifying management's claims as

never mentioned to the board "either in connection with a policy on offices or in connection with a budget." Nor did the audit committee initially believe management's explanation that the phantom office had been paid for out of a separate 5 million French franc (\$850,000) fund set up by the French government.

In a brief statement Friday, Mr. Galleuci, the U.S. delegation chief, said: "The U.S. and the DPRK have agreed on another meeting on Monday, July 19. We expect that we will have something substantive to share with you after

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Kiosk

U.S.-Russian Accord Clears India Sales

WASHINGTON (Reuters) — The United States and Russia have reached a last-minute agreement on the proposed sale of rocket engines and related technology to India, the State Department said on Friday.

The deal would allow some of the rocket engines to be sent to India but would limit technology transfer, and would not impose any economic sanctions on Russia, a department spokesman, Michael McCurry, said.

Book Review Page 7, Page 17

Table with market data: Dow Jones Down 22.64, Trib Index Up 0.16%, The Dollar New York 1.7155, DM 1.4885, Pound 1.4865, Yen 107.55, FF 5.8615.

In Japan, Ruling Party Shifts the Focus

By T. R. Reid

TOKYO — It was anger over illicit political payoffs that prompted the successful no-confidence vote against Prime Minister Kiichi Miyazawa and his Liberal Democratic government last month. It was public disgust with corruption that sent Mr. Miyazawa's approval rating to single-digit levels two weeks ago.

But in the past week or so, the Liberal Democrats have managed to change the subject in the national campaign. In accordance with the plan laid out by Mr. Miyazawa's top strategist, Seiroku Kajiya, much of the public discourse now deals with foreign policy, the economy and energy policy — areas where the Japanese have traditionally trusted the Liberal Democrats, who have ruled the country for nearly 38 years.

When the no-confidence vote took place June 18, setting up Sunday's election, almost everyone seemed to agree that political corruption — and the Liberal Democrats' failure to pass "reform" legislation to stem it — was the issue of the hour.

In the closing days of the campaign, the Liberal Democrats are talking about anything but political reform. And the opposition, to some extent, has been pulled right along.

This seems to have had no impact. A survey of 110,000 people reported in the mass-circulation Yomiuri Shimbun showed that people rate

Hard work pays dividends for Japanese politicians, and so do family ties. Page 5.

ing snack in the middle of the three-week election campaign, it served two key purposes for Mr. Miyazawa.

First, the meeting's focus on global problems and on U.S.-Japan trade friction pulled voters and candidates away from their single-minded focus on political reform. Second, Mr. Miyazawa's strong performance as host and chairman of the summit meeting enhanced his stature at a time when he was scraping bottom in public esteem.

There had been some concern in the U.S. delegation to the summit meeting that President

Bill Clinton might be seen as intruding into the electoral debate, particularly when he was filmed hobnobbing with Mr. Miyazawa's chief opponents at a party.

But when Mr. Clinton and Mr. Miyazawa announced a "deal" on a vague plan to start a new round of trade talks, Mr. Miyazawa emerged as the clear victor from the summit meeting.

Another factor is a new book by Ichiro Ozawa, a leader of the rebel forces that broke from the Liberal Democratic Party over the issue of reform. Mr. Ozawa is one of the leaders of the newly-formed Japan Renewal Party, a leading force in the anti-LDP movement.

His book, "Blueprint for Rebuilding Japan," has risen to the top of the best-seller lists here. It does include a demand for political reform laws, but most of the text deals with more cosmic concerns like Japan's role in the world, the nation's extensive regulatory apparatus, and the national tax structure.

All of this may explain recent polls here showing that the Liberal Democrats may not lose as many seats as originally predicted.

No poll suggests that the party can maintain the majority control it has held since 1955. But some surveys say the dominant party will win enough seats to put it within striking distance of forming a loose coalition that would keep a Liberal Democrat in the prime minister's seat.

MI5 Doffs Cloak to Show Off Its Chief and Its Operations

Compiled by Our Staff From Dispatches

LONDON — Britain's MI5 security service ended more than 80 years of secrecy on Friday when it published a booklet on its cloak-and-dagger operations and its head, Stella Rimington, allowed herself to be photographed.

Mrs. Rimington, 58, arranged a photo session with Home Secretary Michael Howard, the first public engagement for a director-general since MI5 was set up in 1909.

Dressed in a grey silk jacket and black skirt and wearing pearl earrings and a huge ring on her wedding finger, Mrs. Rimington appeared at ease. She smiled often as she acquiesced to photographers' requests.

"She was very calm and collected," a photographer said. "She was like someone you would meet in a shop. I would probably not recognize her again." The sudden publicity is part of a pledge by Prime Minister John Major for more open government.

Until recently, it was an offense under the Official Secrets Act even to publish the name of the director-general, known as "K" within the service.

The Sun ran a photo of Mrs. Rimington smiling and holding a glass of champagne at a cocktail party in its late editions on Friday. In the past papers have run a blurred picture of her wearing an ankle-length coat.

She succeeded Sir Patrick Walker on his retirement in February 1992.

The booklet, called "The Security Service", gave details of the organization's history, how it is controlled and its "assessment of the changing threat to national security."

Some 70 percent of the resources of the service, which employs about 2,000 people, are devoted to counterterrorism and 25 percent to counterespionage. Mrs. Rimington said some of its operations were too secret to divulge.

"It is difficult to comment on allegations about the service without revealing, by what is said or not said, information that might compromise past, present and future opera-



Stella Rimington, Britain's senior counterespionage chief, Friday in her first official photo.

She wrote in a foreword in the 36-page glossy brochure.

MI5 became the subject of its own Security Service Act in 1989, which put it on the statute books. Since the end of the Cold War

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The Long Arm of U.S. Law Traps Hijacker in Lagos

By Stephen Engelberg

WASHINGTON — Springing a trap set by months of diplomatic pressure, FBI agents have seized one of the most notorious airplane hijackers of the 1980s in an airport in Lagos and bled him aboard a flight for the United States, officials said.

The man, Omar Mohammed Ali Rezaq, faces charges stemming from the Nov. 23, 1985, hijacking of an Egypt Air flight from Athens to Cairo that ended in the deaths of two hijackers and 60 passengers, including an American.

give federal prosecutors jurisdiction to prosecute terrorist acts against Americans outside this nation's borders.

Mr. Rezaq, the lone survivor of three Palestinian hijackers, was convicted in Malta and sentenced to 25 years in prison.

A confession in Cairo links him to the New York Trade Center explosion. Page 3.

But he was released in February — in response to pressure from Libya, officials believe — and fled to Ghana.

Mr. Rezaq's role in the hijacking was particularly noteworthy. The plane landed in Malta for refueling, and when authorities would not comply with the hijackers' requests, he shot two passengers in the head and kicked their bodies to the tarmac.

One of those killed was Scarlett Roggenkamp, of Oceanside, California; the other, Nitzan Mendelsohn, was an Israeli. An

See HIJACKER, Page 4

Italy Drops Threat To Leave Somalia But Backs General

By Alan Cowell

ROME—Seeking to save face in an embarrassing dispute with the United Nations, Italy retreated Friday from its threat to pull out its contingent in Somalia...

In Mogadishu. "For us there is no question of his withdrawal from Somalia..."

At the same time, though, diplomats and officials here said, there were growing indications that Italian forces in Mogadishu had come to see as partial in the conflict, favoring the Hussein warlord...

Italy's 2,600-member force is the third largest after the United States' and Pakistan's in the 23-nation UN force...

The crisis blew into the open Thursday when Italy, angered by a U.S. helicopter gunship attack in Mogadishu this week...

Italy had already urged the suspension of combat operations after Monday's helicopter gunship attack, fearing that the country is sliding back into a civil war...

General Busceti said that Italy would not back the UN demand for General Lo's removal. "They asked for Lo's head at a moment of clear emotion," he told a reporter...

Germany to Send Troops

Germany said Friday that it was going ahead with plans to deploy 1,700 troops in Somalia...

A spokesman said a main force of some 1,500 troops would be flying to Mogadishu soon...

Germany said Friday that it was going ahead with plans to deploy 1,700 troops in Somalia despite a rising number of incidents in which its soldiers have come under fire...

Ex-Fiat Executive Surrenders to Police in Italy

The Associated Press

BARI, Italy — Vittorio Ghidella, a former managing director of the Italian auto giant Fiat SpA and former chairman of the Swiss-based Saurer industrial group...

Saurer, a Swiss diversified industrial group, holds a controlling stake in Graziano Transmission and a 49 percent stake in Oto Trasm.

France Officially Recalls Deportations

The Associated Press



A World War II veteran with a French flag during the commemoration Friday at the Velodrome d'Amiens site in Paris.

PARIS—For the first time, France on Friday commemorated the roundup 51 years ago of 13,000 Jews who were jammed into a Paris stadium and later shipped to Auschwitz.

President Francois Mitterrand, jeered and whistled at by Jews last year when he placed a wreath at the site but failed to condemn the wartime Vichy regime, announced the commemoration in February.

By the thousands, men, women and children were grabbed from their homes, "to be sent to their death with the horrible complexity of the regime installed under the occupation."

Many imprisoned in the two-day sweep and held in the Velodrome, an indoor cycling stadium, spent three days without food, water or sanitary facilities...

Mr. Mitterrand angered Jews and war veterans in November by having a wreath laid at the tomb of the Vichy leader and World War II hero, Marshal Philippe Petain.

Russia Seeks To Avenge Border Raid

DUSHANBE, Tajikistan — Defense Minister Pavel S. Grachev of Russia headed for the tense frontier between Tajikistan and Afghanistan on Friday, vowing revenge for a cross-border attack that killed 25 Russian troops.

President Boris N. Yeltsin and the parliament gave Mr. Grachev a mandate to send more men and equipment to the Central Asian hotspot after a border post was shelled from the Afghan side...

Switzerland Returns Fugitive

Giuseppe Garofano, one of the most-wanted figures in the Italian corruption scandal, was remanded in custody in a top-security Milan prison on Friday following his extradition from Switzerland, Reuters reported.

Mr. Garofano, a former chairman of the Montedison chemicals group, which is part of the Ferruzzi empire, acknowledges that he gave money to the party, but he insists it was from personal funds.

Indian Takes Germany's Asylum Curbs to Court

KARLSRUHE, Germany — An Indian refugee facing deportation has asked the supreme court to rule for the first time on whether strict new asylum laws violated the constitution...

The 21-year-old Sikh, whose identity was not made public, also petitioned to remain in Germany despite a deportation order until his challenge could be heard, arguing he faced discrimination in India and would have a difficult time pleading his case from abroad.

Previously, Germany was obliged to take in and feed and house all refugees while their asylum applications were judged...

The changes all but sealed the nation's land borders, leaving the airports the only point at which those who arrive by air are now held at airport shelters while authorities decide whether they should be allowed in to file for asylum.

Japan Quake Toll Rises to 146

TOKYO (AP) — The death toll in an earthquake in northern Japan that unleashed landslides, giant waves and fires rose to 146 on Friday, police said.

The initial tremor on Monday registered 7.8 on the Richter scale and generated huge waves, fires and landslides on the west coast of Japan's northernmost main island of Hokkaido...

General Babangida cited vote-tampering for his action, which provoked violent protests in which more than 100 people were reported killed.

U.S. Balks at Easing Ties With Hanoi

WASHINGTON (Combined Dispatches) — A White House adviser said Friday the United States will take no further steps to ease relations with Vietnam until there is more progress on accounting for 2,253 Americans listed as missing in the Vietnam War.

"What happened will not go unpunished," Mr. Grachev told reporters when he arrived in Dushanbe.

The attack amounts to "an undeclared war by militant groups — I'm not saying from where — against Russia," he said.

Afghanistan's Islamic government has denied any involvement and asserted that Russian fighter jets had strafed a village on its side of the border.

The attack, one of the bloodiest to date, provoked an outcry in Russia, which has thousands of troops in the impoverished, war-torn former Soviet republic.

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WORLD BRIEFS

Ulster Protestants Admit '74 Atrocity

BELFAST (Reuters) — Protestant extremists have admitted carrying out the bloodiest bombing in the Northern Ireland conflict but denied claims they were helped by British security forces.

The outlawed Ulster Volunteer Force said it acted alone in killing 33 people and injuring 100 others with a series of car bombings in Dublin and Monaghan in the Irish Republic in 1974.

A recent British television documentary identified the bombers and said they had connections with British services. The Ulster Volunteer Force said Thursday. "The entire operation, from its conception to its successful conclusion, planned and carried out by our volunteers aided by no outside bodies."

Balladur Might Head EC Election List

PARIS (Reuters) — Prime Minister Edouard Balladur said Friday that he was willing to consider heading a joint conservative list in next year's European Parliament elections to avoid a split in his center-right coalition.

"I want the coalition backing the government to be united and therefore to run a unified list in the next European elections," Mr. Balladur said on TV.

Balladur said he had dropped his previously stated refusal to run because of his concern that the coalition might otherwise split into rival pro- and anti-European lists.

Iraq Vows Cooperation With UN Aide

BAGHDAD (AFP) — Baghdad will cooperate with the head of a UN commission who is currently visiting Iraq to obtain its compliance on disarmament, state radio said Friday.

The announcement was in sharp contrast to Baghdad's earlier refusal to do so. The UN envoy, Rolf Ekens, held a third meeting with Iraqi officials led by the deputy prime minister, Tariq Aziz, in a bid to break a deadlock over the monitoring of missile test sites.

But the radio, referring to the standoff that began last month, also accused UN inspectors of engaging in "a comedy to prepare a new aggression."

Nigeria Sets Aug. 14 for New Vote

LAGOS (Reuters) — Nigeria will hold a new presidential election Aug. 14, the National Electoral Commission said Friday.

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U.S. to Let Some China Refugees In

By Anthony DePalma

NEW YORK (Times Service) — In yet another twist to an already confounding story, U.S. officials now say that immigration officers aboard three ships crammed with smuggled Chinese off Mexico are preparing to take to the United States those who ask for political asylum.

State Department officials in Washington said that the Immigration and Naturalization Service officers who have been interviewing the Chinese men and women for several days would continue the questioning.

Those who seem to have legitimate claims as political refugees will be taken from the ships and transported to the United States, while the rest will be escorted or towed into Mexican waters.

The officials said that questionnaires completed by the Chinese might be handled by the UN High Commissioner for Refugees or by Immigration and Naturalization staff members in the United States.

This latest move seems to solve several problems. When the Mexican government declared on Wednesday that it was willing, for humanitarian reasons, to accept the three ships with 658 people aboard, the undersecretary of exterior relations, Andres Rosenthal, said that Mexico would not allow the Chinese to be processed by U.S. or UN officials on Mexican soil.

By reviewing the claims while the Chinese are in international waters, the United States sidesteps the Mexicans' objections without seeming to deny the Chinese their rights to seek asylum.

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RELIGIOUS SERVICES section listing various churches and services across different cities like Amsterdam, Rome, Frankfurt, Berlin, etc.

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STATESIDE / HIGH WATER

★ POLITICAL NOTES ★

Nominee's Hearing Postponed

WASHINGTON — The White House has bowed to Republican pressure to postpone confirmation hearings for President Bill Clinton's nominee for surgeon general, Dr. Joycelyn Elders, to give her supporters and opponents more time to examine ethical questions uncovered in background checks.

The most serious issue is a lawsuit filed against the National Bank of Arkansas over events that occurred when Dr. Elders was serving on its board. The bank was the subject of a successful hostile takeover, and some now directors sued the previous directors, including Dr. Elders, for shoddy lending practices that they said violated federal banking laws.

The suit is now being settled. But Senator Edward M. Kennedy of Massachusetts, chairman of the Senate Labor Committee, which was scheduled to hold the Elders confirmation hearing on Friday, and Senator Nancy Kassebaum of Kansas, the ranking Republican on the panel, agreed that it would be best to postpone the hearing for a week while their staffs reviewed all the documents in the case.

And administration officials disclosed that Dr. Elders has been collecting her salary as Arkansas's health director while getting a \$550-a-day federal consulting fee — for her work preparing for the hearings and for her new job. They also said that her husband had not paid Social Security taxes on household help for his steno.

The White House spokeswoman, Dee Dee Myers, said Mr. Clinton was still committed to the Elders nomination, which has attracted vigorous opposition from conservatives because of her outspoken support for abortion rights, condom distribution to teenagers and early sex education.

Officials also said the White House was satisfied with her explanation for the new ethical issues. Dr. Elders has said that she was collecting accumulated vacation pay while working in Washington and

that she was not involved in the financial arrangements made for her mother-in-law's care.

On Friday, the White House expressed "unreserved" support for the nominee, saying the issue would not rest the questions being raised. "She's a very worthy nominee and in each instance I think the facts can be well stated in her favor," said the communications director, Mark Gearan. "The committee wanted time to review that, and that's perfectly appropriate. The president's support of her and her nomination to be the surgeon general is unequivocal." (NYT)

House Cuts Refugee Aid Funds

WASHINGTON — At a time when the number of refugees worldwide has soared to record levels, the House has cut the funds the United States can spend on emergency refugee relief from \$49 million to \$19 million, recommending that most of the difference be used to help Israel settle Jewish immigrants.

The change in the foreign-aid bill was made last month over the objections of the Clinton administration and has drawn an angry response from refugee advocates, who note that it would shift money to Israel at a time when the number of Soviet immigrants has dramatically declined.

"I don't have an objection to being supportive of integrating people into Israel," said Roger Winter, director of the U.S. Committee for Refugees, a private refugee-advocacy group. "I do have an objection when it comes at a cost to other refugees, particularly those in emergency circumstances. That cost is too high." (NYT)

Quote / Unquote

Leon E. Panetta, director of the Office of Management and Budget, reporting that this year's federal deficit would be \$282 billion, substantially less than the forecast made by the administration in April: "We've still got a hell of a big deficit." (AP)

Floods Worsen as Rivers Merge in Heavy Rain

The Associated Press

ST. LOUIS — The Missouri River broke through a levee Friday and converged with the Mississippi River on a narrow peninsula north of St. Louis. Officials were sending in military trucks to rescue people who had defied evacuation orders.

Drenching thunderstorms on Thursday and Friday caused the Mississippi and Missouri rivers, swollen for more than a month, to begin mixing 20 miles upstream from where they normally meet.

New flooding also hit the northern part of the rivers. As much as 7 inches (about 18 centimeters) of rain pounded a swath of North Dakota and Minnesota overnight, sending the Red River coursing through Fargo, North Dakota. Strong thunderstorms were forecast for that area Friday.

In Missouri, major levee breaks were discovered about 4 miles north of St. Charles. The breaks came soon after the Missouri began spilling over a 100-foot (about 30 meters) section of the levee just north of St. Charles city. Weeks of flooding had sent Mississippi backwaters nine miles inland to the back of the levee.

Major flooding was expected on the peninsula, which is largely farmland. Most of St. Charles city, population 55,000, is on higher ground and was not expected to be flooded.

Weeks of rain in the Midwest have overwhelmed the Mississippi and its tributaries. The flooding



Ben Beechey, 13, of Chariton, Iowa, a member of the Amish church, helping to sandbag a water plant near Des Moines, Iowa. He came with his father and uncles because he "wanted to help out," he said.

filled with water in Fargo, where four inches of rain fell by midnight and the Red River rose four feet in six hours. The city's sewer system was swamped, backing up sewage

streets flooded and basements were inundated. Streets flooded and basements were inundated.

into homes and Dakota Hospital. "We have ourselves a real lullaboo of a problem here," said Fargo's mayor, Jon Lindgren. Fargo officials asked the town's 75,000 residents not to use any water until further notice.

To the west, Bismarck, Mandan and Jamestown in North Dakota were cleaning up from a deluge that closed dozens of streets and roads. Bismarck reported 4.5 inches at 11:30 P.M., setting a record for a 24-hour period. Mandan reported 5.3 inches during the same time.

President Bill Clinton plans to meet in St. Louis this weekend with governors from the flood-stricken states. He stopped in Des Moines, Iowa, on Wednesday to announce \$2.48 billion emergency aid requests for the region.

Mr. Clinton said he could ask Congress for more but warned the people should not expect the government to pay for all their losses.

Platoons of volunteers kept the back-breaking task of filling and stacking sandbags to keep rivers at bay.

The Mississippi surpassed the 1973 record height of 43.23 feet at St. Louis on Thursday and kept rising, with an expected crest of 45.5 feet Monday.

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VIOLENCE AT AN ABORTION CLINIC — A policeman in White Settlement, Texas, wrestling an abortion foe to the ground after a crowd of protesters against abortion demonstrated at a clinic to prevent a doctor from going into the building. At least 27 protesters were arrested.

Away From Politics

• Smokers, drinkers and drug abusers account for one-fifth of the money that Medicaid spends on hospital care, according to a study released by the Columbia University Center on Addiction and Drug Abuse. Based on 1991 statistics, the study found that of the \$21.6 billion of Medicaid funds paid for hospital care, \$4.2 billion — just under 20 percent — was for care attributable to such abuse.

• A decline in drug use among college students and other young adults that began more than a decade ago has virtually halted amid signs that some of the most popular drugs from the 1960s are making a comeback. Researchers from the University of Michigan said that marijuana appears to be gaining new followers on campuses and that the use of LSD is clearly on the rise.

• A retired four-star general was cleared in Tampa, Florida, of charges he conspired to defraud the Pentagon of \$40 million through the sale of shoddy fuses for tank and artillery shells. Six other people were convicted. A federal jury acquitted Wallace Nutting, 65, who was a consultant and a director at Sooner Defense of Florida Inc. and took over as president three weeks before it shut down in 1988.

• What may be the mechanism of memory loss in Alzheimer's and other neurodegenerative diseases may have been discovered by researchers at the

University of California. The finding potentially opens the door to the development of drugs that can halt memory deterioration in such disorders. The discovery, reported in the journal Science, may also lead to a new understanding of the growth and death of cells during the development of the brain early in life.

• Repairing the wings on the C-17 cargo plane will cost more than \$364 million, far more than the \$50 million estimate the Air Force and McDonnell Douglas gave Congress in April, said Representative John Conyers Jr., Democrat of Michigan. "It appears that the subcontractors have been misled by both the Air Force and C-17 prime contractor, McDonnell Douglas, about the costs," he said.

• A veteran ranger at Yosemite National Park in California has been shot — the first incident of its kind in the park's 103-year history — touching off a massive search for the assailant and forcing the evacuation of more than 1,000 park visitors.

• The New Orleans City Council voted to banish from city streets an commemorating an 1874 uprising of whites against Louisiana's biracial Reconstruction government. The monument has been used as a rallying point by David Duke and the Ku Klux Klan.

Confession Tied Iran to N.Y. Bomb, Egypt Aide Says

By Chris Hedges

New York Times Service

CAIRO — The chief foreign policy adviser to President Hosni Mubarak of Egypt has outlined for the first time the contents of a confession given to Egyptian authorities by a suspect in the World Trade Center bombing in New York.

The adviser, Dr. Osama Baz, said that the suspect, Mahmud Abouhalima, had told Egyptian officials that the bombing plan was hatched in Afghanistan among former Arab veterans of the war, and was approved by men who described themselves as Iranian intelligence agents in Peshawar, northern Pakistan, and by Sheikh Omar Abdel Rahman.

Mr. Baz, one of Egypt's most influential government officials, made the statement in a meeting Thursday with foreign journalists. He said many points in the confession were confirmed by Egyptian intelligence sources and passed on to U.S. officials.

Whether Mr. Abouhalima made the statements in his confession or whether they are true could not be immediately confirmed by FBI officials, although one American law enforcement official said in May that, based on his knowledge of the confession, he believed Mr. Abouhalima never said that Sheikh Abdel Rahman was involved.

Egyptian officials might have reason to accuse Iran because they are involved in a bitter vocal campaign against the Tehran government, saying that it supports militant movements in the region and is trying to undermine Arab states that have close ties to the West.

In addition, Mr. Abouhalima, who was held for 10 days in Egypt in March and then turned over to FBI officials, said in May that he gave the confession under torture and that whatever he said was not true. An FBI doctor who examined Mr. Abouhalima on his return to the United States found bruises and burn marks.

But Mr. Baz said: "The information we passed to the American authorities represents the best of

our knowledge, so far as we are able to gather facts and material from different sources."

The account that Mr. Baz confirmed came from another Egyptian official, who insisted on anonymity. The official did not say when the meetings in Peshawar took place but said that Mr. Abouhalima told them that two Persian-language speakers, who said they were from Iranian intelligence, showed up to approve the plan.

Mr. Baz also confirmed an account from the same Egyptian official that, in his confession, Mr. Abouhalima said Sheikh Abdel Rahman was told of the bombing plans and approved them. Sheikh Abdel Rahman entered the United States several years ago, preaching at a Jersey City mosque, and many suspects in the trade center bombing have been identified as his followers. Although the cleric has not been charged with involvement in

the blast, he is under detention by U.S. immigration authorities and Egypt has asked for his extradition.

Mr. Abouhalima said in his confession, as outlined by Egyptian officials, that the plotters were able to draw on funds collected by the Islamic Group, an underground organization that advocates the overthrow of the Egyptian government. He described himself as a member of the group, which he said got money from various sources, including Iranian businesses and organizations in Europe, Islamic institutions in Saudi Arabia, and the German offices of the Muslim Brotherhood, a fundamentalist organization with branches throughout the Arab world and beyond.

Mr. Abouhalima said he would have told interrogators that the bombing was carried out to teach the United States a lesson for its meddling in Middle Eastern affairs.

Also, according to Mr. Baz, Mr.

Abouhalima said that two Iraqis showed up in the days before the bombing to assist in the plot and then disappeared shortly before the explosion.

Followers of Sheikh Abdel Rahman in Jersey City have said that just before the bombing, two Iraqis

arrived, were seen with the suspects arrested in the case, and then disappeared.

"There were two Iraqis there," said an Egyptian official. "We do not know who they were, or who they worked for, but they were involved."

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Westerners Pledge \$100 Million More In Relief to Bosnia

GENEVA — Western donors pledged more than \$100 million on Wednesday for relief operations in the former Yugoslavia, enough to keep UN aid convoys rolling through Bosnia for the next three months.

The pledges occurred at a meeting of major donor nations at which the UN High Commissioner for Refugees, Sadako Ogata, warned that the "entire relief effort will soon grind to a halt" without extra cash.

Mrs. Ogata said her agency was determined to continue its operations in Bosnia but conceded for the first time that the UN could be forced to pull out of the republic. "Never have the obstacles and risks been so dreadful and unacceptable as during the last two months," Mrs. Ogata said.

About 40 states and international organizations were represented at the meeting, organized as a routine session of the "humanitarian issues working group" of Geneva's International Conference on Former Yugoslavia.

Part of discussing the UN funding shortfall for this year, but Mrs. Ogata said she expected some debate on the very future of the aid operation.

A UN spokeswoman, Sylvia Foa, said governments that addressed the opening session had pledged \$10.4 billion for UN agencies. Of that, the refugee share would be \$6.5 billion.

The largest single donation came from the European Community, which promised \$2.8 billion, Mrs. Foa said. The Netherlands pledged \$15 million to the agency.

Those pledges were on top of \$26.1 million promised in the two days before Friday's conference. "It means we will be able to continue fully funded for another three months," Mrs. Foa said.



Sadako Ogata, the UN High Commissioner for Refugees, speaking Friday in Geneva to Lord Owen, co-chairman of the peace talks.

Christopher May Try to Salvage Mideast Talks

By Elaine Sciolino, New York Times Service WASHINGTON — A senior American delegation has returned home empty-handed after trying to close the gap between Israel and the Palestinians in the stalled Middle East peace talks.

Despite the lack of progress, Secretary of State Warren M. Christopher is said to be leaning toward making a trip to the Middle East capitals next week to attempt to restart the talks. He will be heading to Singapore and Australia for a long-scheduled meeting with Asian foreign ministers.

Dennis B. Ross, the new State Department coordinator of the talks, who led the American delegation, reported to Mr. Christopher on Thursday on his weeklong trip to Israel, Egypt, Syria and Jordan, which ended Wednesday night. Mr. Ross told the secretary that the only way for the administration to realize its goal

MI5: Doffing Cloak

Continued from Page 1 the spying agency has emerged to lead the battle against the Irish Republican Army, fighting to force Britain out of Northern Ireland.

Mr. McCurry added that to achieve progress, "substantial work has to be done and the recruitment of agents." The booklet said MI5 was divided into five intelligence branches and that more than half its personnel were women.

HIJACKER: FBI Traps Palestinian in Nigeria and Flies Him to U.S.

Continued from Page 1 other American woman, Jackie Plug, who had been shot in the head and left for dead on the tarmac for nearly three hours, recovered.

Fifty-eight other passengers died when Egyptian commandos stormed the plane. According to a report by a House subcommittee, Malta had assured the United States that Mr. Rezaq would remain in prison until 1996. A U.S. official said that in freeing

him in February, Malta had bowed to pressure from Moammar Gadhafi, the Libyan leader. Malta said he had been freed as part of a general amnesty.

The State Department declared it was "shocked and angered" by his release. Shortly afterward, a U.S. court issued a warrant for Mr. Rezaq's arrest.

After leaving prison, Mr. Rezaq sought refuge in Ghana, which once had cool relations with the United States. But in recent years

Croats and Serbs End Bridge Dispute Accord Puts Link to Dalmatia Under Protection of the UN

ZAGREB, Croatia — Croatia and rebel Serbs on Friday signed an agreement drafted by international mediators to avert a new war over a bridge that Croatian authorities plan to open on Sunday, a Croatian government statement said.

The agreement calls for the Maslianska bridge and Zadar airport on the Adriatic coast to be placed under UN protection and closed to both Serbian and Croatian government troops.

Under the accord, Croatian troops must withdraw from territory they captured from the Serbs in a January offensive. Croatia said the agreement, signed in Zagreb on Friday evening, would allow a temporary bridge to be set up over the Maslianska sea channel and for it to function normally. The Serbs signed the agreement earlier.

The government's decision to open the bridge on Sunday, in full view of Serbian gunners, had prompted shelling of the region over the past few days. It also had accused Serbs that the 1991 war in Croatia would flare up again.

President Slobodan Milosevic of Serbia and President Tudjman of Croatia are expected to meet the international mediators Lord Owen and Thorvald Stoltenberg in Geneva on Saturday in a new effort to end the 15-month-old civil war.

John Mills, a spokesman for the International Conference on Former Yugoslavia, said that President Alija Izetbegovic of Bosnia would not attend. In Sarajevo, a brief respite from three days of water shortages ended with a new cutoff of utilities.

Natural gas, restored Thursday after being cut off by besieging Serbs since June, was shut off again in the evening because of potentially dangerous leaks.

Though water service returned to some western suburbs after an overnight outage, the rest of the city remained without running water. Without natural gas to supplement an emergency delivery of diesel fuel for a generator, Sarajevo's bakery was forced to close only hours after opening.

Croats blocked all aid convoys to central Bosnia, where an increasingly chaotic war between Serbs, Muslims and Croats is creating thousands of new refugees dependent on UN aid.

A UN relief spokesman in Sarajevo said that the Bosnian Croats militia controlling UN relief corridors from Croatia's Adriatic coast was holding more than 440 tons of emergency food aid meant for central Bosnia.

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In Japan's Political Grind, Family Ties Count for Votes

By James Sterngold
New York Times Service

TOKYO — Like more than 900 other Japanese politicians, Asahiko Mihara has spent the last two weeks exhaustively crisscrossing the district he hopes to represent in parliament after Sunday's election, but he admits he enjoys an advantage that is all but unassailable. It is not his policies, his charisma or even his money-raising abilities; it is his father, who held the seat before him.

In this critical election, the principal issue is the discredited state of the Liberal Democratic Party after five years of scandals and whether it will lose its majority. Nearly all the candidates, whether Liberal Democrats or not, are running on platforms of breaking with the past. But there is one peculiar, highly influential institution that is likely to survive all this turmoil intact: most expect the parliament to remain dominated by what are known as *nisei*, the children or close relatives of politicians. In Japanese elections, destiny plays as much of a role as policy.

"It's not fair for other politicians, but it costs us less because we can use our fathers' names," said Mr. Mihara, who is running in the family's district in Fukuoka, in western Japan. "If someone new wants to run against me, he is going to have a heck of a time."

Added Kenji Kosaka, who is running for a second term in a seat in Nagano Prefecture that has been in his family for four generations, "I just mention my name and people say, 'I know your father and I know your grandfather. Come in. Japanese like brand names.'"

A total of 45.5 percent of the Liberal Democratic Party elected three years ago to the lower house of the parliament are *nisei*, which literally means second generation, and a similar percentage is likely to be returned to office, according to various polls. There are also opposition *nisei*, so that 29 percent of the 512 members of parliament have inherited their seats.

Prime Minister Kiichi Miyazawa is the son and grandson of prominent politicians, and 10 of the 21 members of his cabinet are *nisei*. The percentage is similar for the parties that have been formed in the past month by Liberal Democratic defectors, Taiseima Hata, who helped trigger the current crisis by forming a conservative splinter party, and his chief lieutenant, Ichiro Ozawa, are *nisei*.

Eben Sadao Yamahana, the head of the Socialists, Japan's largest opposition party, "inherited" his seat. "We are totally handicapped when we run against them," complained Takashi Koga, a 40-year-old member of the Yamaguchi Prefecture assembly who is running against a *nisei*. "We run the entire marathon with all our energy and still do not know whether or not we will finish. The *nisei* start 2 or 3 kilometers from the finish and then just walk across the line."

The *nisei* phenomenon speaks volumes about the underlying values of a society that likes to think of itself as a democracy. After having been run by an aristocracy for centuries, and to a lesser extent in the years leading up to World War II,

Japan sought to free itself from its feudal past after the war by installing a new elite chosen on the basis of rigorous tests and ability. Young Japanese are still told that hard work and brains will be rewarded.

But over the years reality has diverged further and further from the ideal as the new aristocracy became more entrenched. The same is also true in the powerful government bureaucracy, and even at the training ground of the elite, Tokyo University, showing the strength of blood lines beneath its egalitarian facade.

"This is a threat to real democracy," said Susumu Saito, who is making a second run for a seat in Shimizu Prefecture, near Mount Fuji, against two *nisei* opponents. "It makes the system so rigid."

Taichi Ichikawa, a professor at Hiroshima Shudo University, has studied the *nisei* phenomenon and said that while name recognition is important, there is a deeper and more revealing reason for the success of the *nisei*.

Politicians here form what are called *koenkai*, or support groups, that act as links to the local constituents. They become the conduits for favors and patronage. The *koenkai*, which generally represent one favored faction of the local business establishment, delivers money and votes, and in return the politicians deliver regulatory approvals, business licenses and public works projects. It is a remarkably stable relationship.

What politicians pass on to their sons are not really their seats, but the *koenkai*, which grow stronger the longer the politicians stay in office. The *koenkai* need politicians who will continue to favor their senior members. The son of a long-time member of parliament is someone whom they usually can trust to preserve this relationship and uphold the complex web of obligations that has been built up over the years.

expression of its power and its sovereignty," said another legislative councillor, Christine Loh. "I would certainly hope the PLA takes a low profile as the British forces have on principle."

The leader of Hong Kong's conservative Liberal Party, Allen Lee, echoed his political rivals' concerns, saying the move could have "bad psychological effects," according to a Reuters report.

Reuters also quoted an unnamed Chinese source as again linking an agreement on building a new airport, worth \$2.5 billion in value, to Mr. Patten's dropping of his plans to introduce more democracy in the colony before 1997.

Hong Kong businessmen are already worried that China's efforts to cool its overheating economy will slow the colony's own economic boom. Their fears gained ground after comments from a senior Beijing economic official who said that the effects of a clampdown on inflation designed to counter inflation and rein in an economy now growing at 14 percent could have unwelcome consequences for Hong Kong.

Yu Xiaosong, vice minister of the State Economic and Trade Commission, said that a 16-point action plan for slowing economic growth, instituted this month, would inevitably slow mainland Chinese investment in Hong Kong.

Mr. Yu said frenzied speculation by Chinese groups in the colony's stock and real estate markets would be curbed.

"China is a developing economy that should try to retain its capital," Reuters quoted Mr. Yu as saying. Any repatriation of mainland capital, whether forced by regulation or because of economic difficulties at home, is feared in Hong Kong because both markets' steep rises are widely believed to be fueled by Chinese money seeking a refuge from high inflation and currency depreciation at home.

COLONY: Chinese Army Plans

Continued from Page 1

Liaison Group negotiating sessions. Several of these properties are located on prime business and residential land.

"I am not responsible for where exactly the PLA is stationed after 1997," said Hong Kong's governor, Chris Patten, of the surprise statement in Beijing. "As you know it is being discussed by the Joint Liaison Group. I think it will be resolved."

But the liaison group has been deadlocked on the issue. China repeatedly has voiced its displeasure at British plans to train military headquarters, located in the Central business district of Hong Kong island, over to commercial development.

"In the past, the only reason British troops were stationed in Hong Kong was to discourage invasion from China," said Martin Lee, a Hong Kong legislative councillor and leader of the United Democrats Party. "Clearly, after 1997 we will not have that need."

"I urge China to reconsider this decision because of the effect it will have on the morale of Hong Kong citizens," Mr. Lee said.

More than a million Hong Kong residents took to the streets in a public protest against Beijing's army-led crushing of pro-democracy demonstrations throughout China on June 4, 1989.

"China's position seems to be an

French Blast Kills Worker

Reuters

PARIS — An explosion Friday at a lead and zinc factory in northern France killed one worker and injured eight, officials said. The blast occurred at the Noyelles-Godault plant eight kilometers (five miles) from the town of Lens.

Link of Homosexuality to Gene Splits Activists

By Natalie Angier
New York Times Service

NEW YORK — Homosexual groups were divided in their reaction Friday to a new study that links male homosexuality to a small region of one human chromosome.

"We think this study is very important," said Gregory J. King, a spokesman for the Human Rights Campaign Fund in Washington, the largest national gay lobbying group. "Fundamentally it increases our understanding of the origins of sexual orientation, and at the same time we believe it will help increase public support for lesbian and gay rights."

In addition, if homosexuality is shown to be largely inborn, a number of legal experts say, then policies that in any way discriminate against homosexuals are likely to be shot down in the courts.

Not all gay-rights leaders have a sanguine view of the work. Some denounce it as yet another attempt to draw a reductionist and implausible line between homosexuality and heterosexuality, while others see in it the dangers of attempts to "fix" homosexuality, perhaps through gene therapy.

"I don't think it's an interesting study," said Darrell Yates Risk of the Gay and Lesbian Alliance Against Defamation. "Intentionally, what do we gain by finding out there's a homosexual gene? Nothing, except an attempt to identify those people who have it and then open them up to all sorts of experimentation to change them."

The politically explosive study pushes research into the origins of sexual orientation into a new and perhaps more scientifically rigorous phase.

The results have yet to be confirmed by other laboratories, and the chromosomal region implicated, if it holds up under further

scrutiny, is almost surely just a single chapter in the intricate story of sexual orientation and behavior. Nevertheless, scientists said the work suggests that one or several genes located on the bottom half of the sausage-shaped X chromosome may play a role in predisposing some men toward homosexuality.

The findings, which appeared Friday in the journal *Science*, indicate that sexual orientation often is at least partly inborn, rather than being solely a matter of choice. But researchers warn against overinterpreting the work.

The researchers emphasized that they do not yet have a gene isolated, but merely know the rough location of where the gene or genes may sit amid the vast writer of human DNA. Until they have the gene proper, scientists

said they had no way of knowing how it contributes to sexual orientation, how many people carry it, or how many of the carriers are likely to become gay as a result.

"Sexual orientation is too complex to be determined by a single gene," said Dr. Dean H. Hamer of the National Cancer Institute in Bethesda, Maryland, the lead author of the report. "The main value of this work is that it opens a window into understanding how genes, the brain and the environment interact to mold human behavior."

In the new work, the scientists studied the genetic material from 40 pairs of gay brothers and found that in 33 of the pairs, the brothers had identical pieces of the end tip of the X chromosome. Under ordinary circumstances ruled by chance alone, only half of the pairs should have shared that chromosomal neighborhood

in common, a region designated Xq28. The odds of Dr. Hamer's results turning up randomly are less than half a percent, indicating that the chromosomal tip likely harbors a genetic sequence linked to the onset of the brothers' homosexuality.

In men, the X chromosome pairs with the Y chromosome to form the so-called sex chromosomes, the final set of the 23 pairs of chromosomes found in all cells of the human body. A man's X chromosome is always inherited from the mother, who bestows on her son a reshuffled version of one of her two copies of the X chromosome. The latest results indicate that the newly reported genetic factor is passed through the maternal line.

The gene could work by directly influencing sexual proclivity, perhaps by shaping parts of the brain that orchestrate sexual be-

havior. Or it might affect temperament in a way that predisposes a boy toward homosexuality.

The study appears in the same journal that two years ago unleashed a furious debate when it published a report asserting that there was an anatomical difference between the brains of gay and heterosexual men. Other recent reports have also weighed in on the possible biological basis of homosexuality in both men and women, and all have been subjected to volleys of scientific and political attack.

Other attempts to make a genetic link to behavior, like alcoholism, manic depression and schizophrenia, have all been disappointing. By contrast, the study published Friday is considered to be impressive science even by many who denounced the previous studies.

Clinton to Accept Aspin's Gay Policy

By Thomas L. Friedman
New York Times Service

WASHINGTON — President Bill Clinton has decided to accept in large measure Defense Secretary Les Aspin's proposal for a limited lifting of restrictions on homosexuals in the military, but last-minute work is continuing to meet legal questions raised by Attorney General Janet Reno, according to administration officials.

The defense secretary's recommendations were formally submitted to the president at a meeting Thursday, urging a policy that would drop the military's current ban on homosexuals but limit how open they could be about their sexuality, the officials said.

One official said Mr. Clinton had decided to adopt Mr. Aspin's essential "don't ask, don't tell" approach, but was seeking "refinements" that would make it somewhat less restrictive and would meet warnings from Ms. Reno that the policy could violate gay soldiers' constitutional rights.

The president told congressional leaders that he wanted a few more days to study the recommendation before he gave his final approval. He also wants Ms. Reno and her aides to review it again before he signs off on it, officials said.

A senior administration official characterized the Aspin compromise as a policy of "don't ask, don't tell, don't pursue." That means that new recruits would no longer be asked whether they are homosexual. But they would not be allowed to identify themselves as homosexuals once in the armed services, except to chaplains, doctors and lawyers. Homosexual conduct on or off bases would still be banned.

But in deference to the Justice Department and gay-rights groups, the policy would also explicitly spell out the conditions under which the military could pursue an inquiry into homosexual conduct.

Aides to Mr. Clinton and Mr. Aspin were working on these particulars, which were ap-

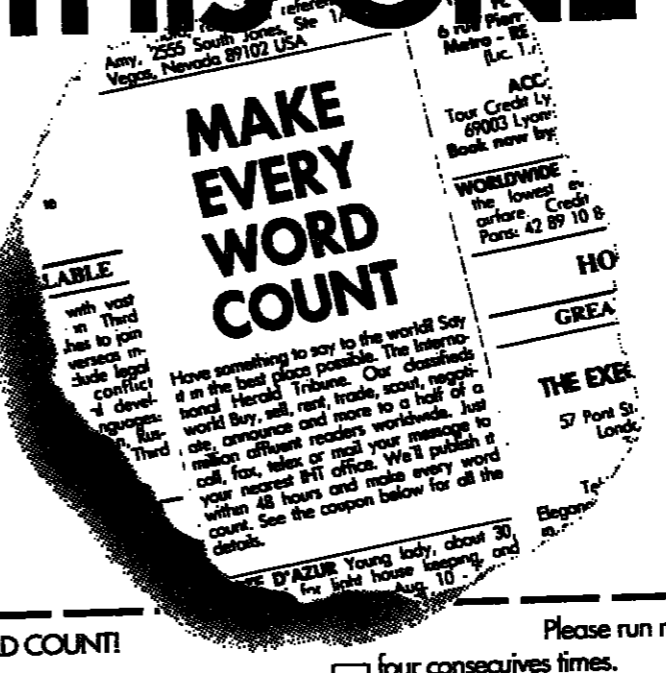
parently added after Ms. Reno told the White House last week that the policy could be hard to defend in court. Officials said she cautioned that the constitution's guarantee of equal protection under the law could be violated if the policy went too far in prohibiting homosexuals from saying things that heterosexual soldiers were free to express.

Under the policy, a homosexual soldier who was seen going into a gay bar or gay church could not be investigated on those grounds alone. There would have to be "credible evidence" of either an acknowledgment of a homosexual orientation or homosexual behavior, and just going into a building would not constitute that.

This notion of "don't pursue" as a way of creating a little room for homosexuals in the military to express their sexual orientation more freely outside military bases was pushed by the president on Wednesday in discussions with Mr. Aspin, who went over it Thursday with the Joint Chiefs of Staff and Justice Department lawyers.

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Herald INTERNATIONAL Tribune

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Beijing Olympics in 2004?

A resolution has been introduced in both houses of the U.S. Congress to oppose Communist China's bid to put on the 2000 Olympic Games because of its human rights record. The resolution makes exactly the right connection. The decision, which is due on Sept. 23, falls to the nongovernmental International Olympic Committee, which traditionally leans to the view that sports and politics should not mix. But the award of the games is one of the great global political prizes. That is why China so desperately wants them — to celebrate its considerable national achievements, to claim its expanding place in the international sun, to legitimize itself in the eyes of its own people. To seek the Olympics for these overarching political reasons and then to insist that the award should not be sullied by political considerations is laughable.

Let the sportsmen decide, says Beijing. In this appeal lies a hint that the authorities realize their case is weak unless the choice is limited to considerations of sport: adequate facilities, good conditions for competition, organizational capacity. In fact, their case is weak. China's national policy involves opening up the economic system while keeping the political system closed. Human rights violations, of which the Beijing massacre of 1989 is but the best known, are a natural, continuing and simply documented result. There is no large strategic reason to wink at Beijing's repressions, and large political and moral reasons not to.

It is suggested that an offended China might boycott the 1996 games in Atlanta. But if it is China's considered decision to isolate itself, then others will have to respect it. China took a chance by putting in its 2000 bid, and to lose out might embarrass sponsors of the initiative. But there is a useful lesson to be learned: This is 1993, and the world is changing. Large-scale systemic human rights violations are incompatible with the conduct expected of a nation seeking status as an Olympic host. It is nice to pay attention to individual achievements. It is more realistic and urgent to see human rights as a higher community united by devotion to individual dignity. How exciting and wonderful it would be to have China earn the Olympics of 2004.

—THE WASHINGTON POST.

India Belongs in the UN Security Council

By S. Nihal Singh

NEW DELHI — Germany and Japan will become permanent members of the United Nations Security Council with American benediction in the not too distant future. This is as it should be. But if the reform of the key UN organs stops at that, the world organization will not have the moral authority to impose its decisions.

India, the second most populous country, is the founding member of the United Nations. It is the father of the concept of nonalignment, a key participant in UN peacekeeping operations and a responsible power. Its claim to a permanent seat is just and its presence would lead the Security Council to a measure of universality that it would not otherwise possess.

The United Nations was set up by the victors of World War II. The world has changed radically since then, and although the Security Council was expanded once, it is far from being representative of today's reality.

The urgency of reforming the Security Council arises because almost for the first time since it was founded it is beginning to function effectively. This has followed the end of the Cold War and the disintegration of the Soviet Union. In recent years the veto has been rarely exercised and the Security Council has passed historic resolutions greatly expanding its role.

The feeling is growing in large parts of the world that the Security Council has become a U.S. and Western directorate, reminiscent of the colonial era, laying down the law for all American

preference in the United Nations is no secret. Russia is too preoccupied with its Russian and too dependent on the West to flex its muscles, while China has given primacy to economic development and has chosen to play a low-key role. It is right that the United States is backing German and Japanese membership, because it has become absurd to keep out Western Europe's most important power and Japan, the second economic power in the world.

Many would rather let the Security Council retain its anachronistic character for partisan reasons. Britain and France fear that with Germany in its importance will decline and questions will be asked sooner, rather than later, about having three European powers in the world's primary peacekeeping and peacemaking organ. Moreover, the greater clout and coherence of the European Community will militate against separate representations for EC members.

Another argument, made in an undertone, is that neither Germany nor Japan is a nuclear power. This sits ill with the credo of a world movement toward nuclear disarmament. If nuclear weapons are officially acknowledged as a currency of power, the moral basis for disarmament will lose all force.

China is not keen to see India enter the Security Council, suggesting that its admission would

open a Pandora's box. Some others buy this argument. They say it would be difficult to limit the field to India, since there are other claimants such as Brazil and Nigeria.

The Security Council cannot be expanded indefinitely if it is to retain its effectiveness. Among the criteria for permanent membership must be a country's size, potential, record, willingness to assume international responsibilities and condition of being a "satisfied power." India qualifies on all these points.

Although it has a dispute with Pakistan over Kashmir (as does Japan with Russia over the Kuril Islands), India has no territorial ambitions. New Delhi would like to redress the balance between the North and the South as far as trade and privileges are concerned. That is a perfectly legitimate goal. Besides, India is one of the very few countries in the developing world to have chosen and persevered with the democratic form of government.

When much of the Communist world is seeking to turn over a new leaf to practice democracy, it is no mean achievement for a country granted freedom in 1947 to have lived through the perilous years of the Cold War while retaining a democratic polity.

Despite its domestic problems, India has assumed world responsibilities in such different environments as Korea, Indochina and the old Congo under the aegis of the United Nations.

International Herald Tribune.

Look Who's Financing The Mullahs

By A. M. Rosenthal

NEW YORK — Now watch carefully, everybody. This is big-time international three-card monte. The stakes are survival for the world's top terrorist regime, and billions of trade dollars for the American oil business. See how both clean the table.

The dealer is U.S. oil. He hands himself three cards, open. They are presidential orders banning the import of Iranian oil. He shuffles the three cards, collects bets and turns one over. What do you know — it's a \$4 billion trade in Iranian oil, making American oil companies Iran's biggest oil customer.

Iran wins, oil wins; other Americans lose. The beauty part is that hardly any Americans outside big oil and government are even aware that their country is providing a major part of Iran's hard currency.

The money could be the difference between life and death for Tehran's government. And it allows Iran to keep financing the terrorist network whose major target is the United States.

Like all good scams, the trick is simple. The presidential orders of 1986 and 1988 prohibited import of Iran's major resource, oil. The purpose was to prevent American money from bolstering Iran and its terrorism. But — get this part — the orders did not specifically say the U.S. oil companies could not buy Iranian oil. So U.S. oil companies buy all the Iranian crude oil they want, transport it to South America or Europe and have it refined and sold. Sure, some of that refined oil is likely to wind up in the United States. But who is to know or care? Certainly not the Iranians. They have their American money — now about a quarter of Iran's annual oil exports — and the delicious bonus of U.S. oil's marketing expertise.

In that way, dear to bureaucrats, oil is fungible — you can move it around for different purposes, different customers. Money is the most fungible stuff on earth. Iran uses its American oil money to keep both the government and terrorist bomb squads functioning.

The mullahs have Iranians by the throat, but they are also choking the once proud national economy. Iran is hip-deep in debt, and beneath the complaints is the rubble of a rebellion. Without those dollars flowing to the government, it would collapse.

And certainly Iran needs oil sales to keep camps in Sudan, its new political colony, well stocked with Iranian and other Middle Eastern specialists in terrorism.

Oh, one other thing — the card dealer has several names: Exxon, Texaco, Mobil, Phillips, Caltex, Chevron and other familiar TV pals.

All right, fellow suckers, now you know how it works; you can leave the table. But some Americans cannot — the people in the Clinton administration, which inherited the mess.

The administration recently worked out the policy of "dual containment" — Iran as well as Iraq, no futile playing of one against the other anymore. So Washington naturally is trying its allies to cut trade with Iran. You can see how that gets a little embarrassing when American businesses have faces greasy with Iranian oil.

Exactly the same thing holds about planes. Iran hints that it wants to buy some American jets. It can scratch up some money, says Washington, but it allies that planes are dual-use products — usable for war, not just for peace.

As expected, some officials tell the president that if the United States does not buy oil from Iran, foreign companies will. So before doing anything, they say, get a strong consensus from allies on oil and planes.

That was the argument made for arming and trading with dictators from Hitler and Tojo to Saddam and Assad. If the United States means so little to the allies that they prefer dealing with Iran, Bill Clinton should tell Americans so, plain old.

For the United States the price of trying an economic squeeze is to lead or shut up. Shutting up is not a decent option. It would be appeasement of a declared enemy, the end of hope for so many Americans who are America's friends, and the survival of the Rafsanjani government now so sweetly eager to side up for awhile.

That leaves President Clinton one good choice. He can speak to the American people, tell them what the oil companies are doing, pull out a pen and sign a new executive order closing the loopholes in the old ones.

That should not make this suckers' game. It only makes people stay awake the next time some dealer pulls out the cards and says to gather round.

The Washington Post.

Time for Change on Cuba

Bill Clinton would risk little, and could gain a good deal, by removing America's Cuba policy from its Cold War freezer.

For three decades, Washington's chief weapon against Communist Cuba has been a punishing economic embargo. But even as Fidel Castro changed from security threat to political curiosity, Congress tightened that embargo to make life still harder for Cubans trapped in a subsistence economy. And the new congressional measure, the Cuban Democracy Act, has since backfired — even in Miami, the heart of anti-Castro Cuba.

Consider for example the bizarre telephone crisis. Logically, the act asks Havana to permit freer contacts with exiles, yet makes it more difficult than ever for Cuba to earn hard currency. Some \$80 million owed to Cuba for international calls has long been blocked in an American escrow account. So Havana now pressures Cuban-Americans to route their calls via Canada, which allows Cuba to recoup its share of toll revenues.

Among the outraged protesters against this practice is Representative Robert Torricelli of New Jersey, author of the Cuban Democracy Act. "We cannot allow Castro to extract profit from the desire of families to talk with their loved ones nor to set up a collection agency in Canada," he says. "The practices of these

Canadian resellers are not only illegal but morally reprehensible." In other words, it's O.K. for Washington to wage economic war, but for Havana to defend itself is wrong.

A growing number of Cuban-Americans are getting tired of the standoff. The Cuban air force defector who became an exile here when he flew back to rescue his wife and sons now urges a host of food and medicines to the straitened island; a former guerrilla who spent 22 years in Mr. Castro's jails says he is prepared "to dialogue with anybody" in Cuba. Such dissenting voices emboldened the House Appropriations Committee to kill funding for TV Marti, a pet project of the hard-line Cuban-American National Foundation. In another token of changing views, even some American conservatives have urged the Clinton administration to end unilaterally the trade embargo against Cuba, and thus deny Mr. Castro the easy scapegoat of American imperialism.

All this suggests the Cuban Democracy Act, now supporting a vote to test the discretionary power it gives him. Why not challenge Fidel Castro to free all his political prisoners in return for a significant easing of the trade embargo? That would begin to get American policy out of the ice tray.

—THE NEW YORK TIMES.

For Better Domestic Politics of Interdependence

By Flora Lewis

DUSSELDORF — Early this year, the American economist Fred Bergsten was asked how much a GATT trade agreement would contribute to lifting the world's queasy economy. "Not much," he said. "It will take four or five years to bring full benefit. But if it isn't signed, that will have a huge, immediate effect on making the slump much worse."

He pronounced the Group of Seven industrial nations "dead," in the sempiternal demands for more protection for specific weak sectors — steel, textiles, food and fodder — to challenge the very idea of enlarging the global market.

Nationalism and protectionism are making increasingly overt common cause. This is not only at the fringes, the sinister red-brown alliance promoting xenophobia with disdain for democracy first signaled in Russia and now emerging westward, noticeably in France. Respectable politicians and intellectuals are coming to argue about the damage that the international market does and the need to reinforce barriers.

Since the weak and cautious G-7 leaders have failed to make a concerted effort to revive general growth, voices rise with demands for local pump priming, even though that means inflation, competitive devaluations, currency volatility. Just when the principle of the free market has been re-sanctified by the collapse of communism, the older, mercantilist urge to make trade serve special national advantage is regaining support.

At a meeting here on "America and Europe: Old Relations, New Challenges" showed that this is not coincidence. It was organized by the Hans Bockler Stiftung, a foundation sponsored by the Federation of German Trade Unions (DGB), and it focused on labor's views. Jobs and labor's

benefits were the essence of concern. Capital versus labor is not the issue anymore. The head of Poland's Solidarity union, seeking Western labor's support for investments in his country because he argued that it would help their enterprises, too, said, "Without capital, there is no place for labor." And that was taken as self-evident.

The threat of "social dumping" was the prime worry of the West Europeans. The question of "dumping" has long been an argument about the point at which manufacturing take unfair advantage of their capacity to unload excess production on foreign markets at devastating cut-rate prices. Defining it concretely is always controversial, but in the abstract it is a nasty way to drive competitors out of business.

"Social dumping" is an extension of the idea, about taking unfair advantage of very low wages and low or no fringe benefits to flood economies where labor has been, and is being, so heavily protected and so heavily subsidized. Denouncing it is a recognition, and a protest, that the current formulas for growth — productivity, competitiveness, modernization — do not equal jobs. They displace workers, either by machines or by imports produced at very cheap wage levels.

The fear is that this will erode the Western welfare states, throwing labor back to its weak, vulnerable status of the early industrial period. It took so long, with so much pain and conflict, for workers to establish their bargaining power as a necessary, rightful component of the modern capitalist system.

The blurring of the old gap between the "working class" and the "middle class" is what defeated the Marxist system promising inevitable class warfare. Now that achievement seems to be threatened.

It is understandable that the persistence of unemployment and the pressures to reduce labor's hard-won gains should produce resistance, even a reversion to economic nationalism, since the politicians to whom demands can be put have only national constituencies. But it is a mistake. The economic world has moved too far into interdependence to turn back without ghastly cost.

The politicians to worry about keeping their jobs, which means responding to immediate demands. But doing their jobs means explaining that interdependence is real, that the world is changing willy-nilly, and accepting the responsibility to guide the change for common benefit.

The people who met here seemed to be looking for answers, by no means with closed minds. They must not be kept dangling until the closed national illusion seems to be the only answer available.

Flora Lewis.

limited leverage in a way that will have the sharpest effect.

It is said that Serbia and, if it too were targeted, Croatia are more likely to rally to a nationalist spirit against sanctions than to bend to them. The argument that hence sanctions have no effect is an unfortunate but also "counterproductive" is a hardy fixture in these debates, and I have sometimes found it persuasive.

But not this time. In Serbia and perhaps even more in Croatia, a place more oriented to the West in both history and current interest, a potential moderate and democratic domestic opposition must be encouraged. It undermines this opposition for the current leaders not only to conduct a war policy but to have other countries in an effort to pick up part of the tab for it by providing humanitarian aid. It helps this opposition if it can demonstrate that a war policy leads to economic and human disaster.

So many specious and inflated words have been spoken about Bosnia in high places that one turns only hesitantly to last weekend's Group of Seven summit in Tokyo. "If the Serbs and Croats persist in dismantling Bosnia through changes of border by force or ethnic cleansing," the seven said, "they will place themselves beyond the pale of the international community and cannot expect any economic or commercial assistance, especially reconstruction aid."

Note the equivocation: "If the Serbs and Croats persist..." They have already done enough to be cut off. But note, too, the warning: "especially reconstruction aid."

The future of Serbia and Croatia is in the balance. Military intervention remains politically too hard, but imposing economic isolation is not too hard. It can be done. This is the noose that must be pulled tight to save something for Bosnia.

The Washington Post.

Politicians have to explain that interdependence is real, and accept the duty to guide change for common benefit.

sense that they were not doing their job of pulling together to revive growth and free trade. Half a year later, President Bill Clinton has managed to perk up the Group of Seven a bit in Tokyo with some cosmetics to look less moribund. But still nothing decisive has happened.

GATT has been assigned yet another deadline for the end of 1993. And the rumbles of opposition to the opening of markets are growing louder and more insistent. The complaints about opening trade have spread from the

The Fish Channel

A cable television channel in Columbia, South Carolina, devotes 14 hours a day to a telecast of tropical fish swimming around in a nicely furnished and well-maintained tank at a local pet store. The show was begun last spring as an interim filler while the cable company prepared to start up a science fiction channel. When the time came to turn it off, there was widespread, unexpected protest from the viewers, who apparently preferred the silence of the fishes to the sound of "My God, captain, if we don't stop this thing soon it will destroy Tokyo." Thus the fish channel continues, from 9 a.m. to 11 p.m.

It is evidently a popular program among cats and, therefore, unsurprisingly, among cat owners as well, who can indulge their pets' fascination with small skittering things and not fear that these small things will turn up disembowled on the kitchen floor the next morning. It also seems to have a strong appeal to the very young and the elderly. (It is the musical accompaniment to the fish show is non-MTV, mostly classical, jazz and "easy listening.")

But there are really no generational bound-

aries to the appeal of an aquarium filled with exotic and colorful life forms. Even more than the crackling fireplaces that some big-city stations run on a continuous videotape in winter, an aquarium in a dimly lit room has a universally soothing effect — especially when you are not the one who has to worry about maintaining the proper mix of oxygen, water temperature, food and pH balance, or whatever it is that is needed to keep its denizens from going belly up on you.

In a cable television world that appears to have room for channels devoted exclusively to French-poodle-shaped jewelry, Hitler, World War II bombers and psychedelic, moan-and-groan accompanied "dancing," it doesn't seem overspecialized to offer viewers a few uninterrupted hours of soothing fish gilding as background to their reading, writing, meditating, snoring or simply vacant staring into space (a much underrated pastime). In fact, a Fish Channel would be welcome in Washington. It might do wonders for the sanity and even productivity of government.

—THE WASHINGTON POST.

Impose Sanctions on Croatia Despite the Refugees

By Stephen S. Rosenfield

WASHINGTON — The refugee crisis in Croatia is frightful. To see the pictures and read the figures is enough to bring tears of sympathy. This little shard of the former Yugoslavia houses a quarter-million Croats ousted from their homes elsewhere in Croatia by Serbs, and another quarter-million refugees (most of them Muslims) from Bosnia and some from Serbia, too. That adds up to a crushing 12 percent of the Croatian population in a never-rich, hard-hit country whose principal industry, tourism, has been shredded by war.

Nor has there been much response to Croatia's pleas for international help in currying this extra load. Little wonder that the Zagreb government is lobbying in Washington for a piece of the American foreign aid pie.

It shouldn't get a penny. The Croatian government that is appealing for aid to care for refugees is the very government that is today generating further refugees in its conspiracy with Serbia to carve up Bosnia. Croatia has long had something of a free international ride on the basis that it

is a victim of Serbian deprivations in Croatia. But it is a perpetrator of its own deprivations in Bosnia. This is what counts most.

To make innocent civilian refugees pay for historical events and official derelictions for which the refugees have no responsibility: Is this not unfair and arbitrary as well as heartless?

The company of nations has no choice if it is serious about addressing the moral core of the Yugoslav crisis, the ravaging of Muslim Bosnia. Some would say that Bosnia has long since been abandoned and that a mercy killing under the label of partition is its best remaining hope. But this is not so. Bosnia has not been entirely forsaken. It is not being effectively defended by military means, but it is being defended in some degree by economic means — by sanctions.

International sanctions are in place against Serbia for its part in the violation of Bosnia. For the same reason, sanctions should be imposed against Croatia. Sanctions are meant not simply to punish but to force a re-evaluation of policy. To threaten sanctions against Croatia and then to offer it funds for humanitarian relief is to undercut those sanctions. It is to take with one hand and give with the other.

A dilemma lurks: Is it right, in order to help Bosnia, to stifle the flow of aid that Croatia might provide to Bosnia? Or is it right, if it is to share the burden on the Croatian government, for it to be a change of Croatian policy that the quickest and surest relief can be delivered to Bosnian and other refugees. Relief whose effect is to lighten the pressure on an erring government merely prolongs the injustice and the agony.

If the United States and others were taking further effective steps to enforce the United Nations' bans on resolutions offering rescue to Bosnia, then they could more readily do so for the familiar humanitarian thing. But since they have not adequately enforced those resolutions, they fall under an ethical obligation to use their

limited leverage in a way that will have the sharpest effect.

It is said that Serbia and, if it too were targeted, Croatia are more likely to rally to a nationalist spirit against sanctions than to bend to them. The argument that hence sanctions have no effect is an unfortunate but also "counterproductive" is a hardy fixture in these debates, and I have sometimes found it persuasive.

But not this time. In Serbia and perhaps even more in Croatia, a place more oriented to the West in both history and current interest, a potential moderate and democratic domestic opposition must be encouraged. It undermines this opposition for the current leaders not only to conduct a war policy but to have other countries in an effort to pick up part of the tab for it by providing humanitarian aid. It helps this opposition if it can demonstrate that a war policy leads to economic and human disaster.

So many specious and inflated words have been spoken about Bosnia in high places that one turns only hesitantly to last weekend's Group of Seven summit in Tokyo. "If the Serbs and Croats persist in dismantling Bosnia through changes of border by force or ethnic cleansing," the seven said, "they will place themselves beyond the pale of the international community and cannot expect any economic or commercial assistance, especially reconstruction aid."

Note the equivocation: "If the Serbs and Croats persist..." They have already done enough to be cut off. But note, too, the warning: "especially reconstruction aid."

The future of Serbia and Croatia is in the balance. Military intervention remains politically too hard, but imposing economic isolation is not too hard. It can be done. This is the noose that must be pulled tight to save something for Bosnia.

The Washington Post.

Other Comment

Get On With It in Somalia

The United Nations, in many people's view, landed itself — and four foreign journalists and a lot of dead Somali — in a bloody mess in Mogadishu (this past) week. It did. But that was just where it should have landed itself.

Given the provocation, the force and its level, you can ask whether the force was used wisely or effectively: Did the United Nations hit the right building, or deter the right people? What cannot be argued, in the circumstances of Somalia, is that the United Nations should simply sit on its hands and watch the gunmen return that country to gang war and starvation.

The world intervened first in Somalia to defeat famine. But the famine was not sent by God. It was largely created by man, and, as ever, those who created it were not those who suffered. Nor was gun rule just an unfortunate accompaniment. It was the main cause of the man-made famine. Aid workers could nobly keep tens of thousands alive. But nobody could ensure that tens more thousands would not die somewhere else, at some other time, until the root of the evil was grubbed out and order — forget law, just order — was restored.

Armed bands live among harmless people whom no one should, or usually does, want to kill; but such people will get killed, and in some number when the fighting takes place in towns. The United Nations cannot simply ignore these people's suffering. It cannot ignore public opinion. But these should not deter it from the restoration of order — which means disarming bandits — that offers the only durable future for Somalia's civilians.

Nor should those countries whose troops are trying to restore order be deterred by deaths among their own men. Soldiers risk death: far more from training and traffic accidents than from gunfire in Somalia. And it is no good blaming the Americans, or whoever else may be in charge, when it happens. No commander, no strategy or tactics, no operation, can be perfect. One country will lose men today, another tomorrow.

Any multinational operation will raise political problems: the British and Americans, close as two fingers, had plenty in 1941-45. The way to minimize them, now as then, is to have clear and agreed objectives and command. UN countries should be studying a permanent military staff for it, maybe a permanent force, not niggling at each other in front of television cameras.

—The Economist (London).

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—The Economist (London).

The Last Governor Remains Upbeat

By Anthony Lewis

HONG KONG — "What's made Hong Kong what it is," Chris Patten said, "is the magic combination of Chinese entrepreneurialism and the rule of law. And the rule of law is not just about judges in court. It's about a free press and an independent legislature."

Mr. Patten is the British governor of Hong Kong — the last, as intended, before the territory reverts to Chinese sovereignty at midnight on June 30, 1997. The reason he talks a

lot about the rule of law is that the idea is central to the argument he is having with the Chinese government about the future of Hong Kong.

When Margaret Thatcher agreed in 1984 to return the territory, the Joint Declaration of Britain and China said Hong Kong would have a "high degree of autonomy" after 1997. In the Chinese phrase, "one country, two systems."

Mr. Patten announced plans last October for broad changes in the Legislative Council to make it a shade more democratic. He proposed to expand the base of certain interest groups that choose members of the council, only a minority of which is elected by the public at large. And he said that the legislators chosen at the next election, in 1995, would serve on through 1997.

cent of China's international trade — because the world's businessmen have confidence in its system, Hong Kong continues to expand into 1997, employ 3 million people there.

Moody's, the credit-rating service, said the other day that it would not continue to give Hong Kong its own, superior rating after 1997 if it did not have genuine autonomy. And that, in Mr. Patten's view, means acceptance of the rule of law in his broad sense.

"It's not just a question of being honorable and decent," he said. "It's like one of those Victorian hymns that tells you being good is good for making money, too."

For months China refused to talk about the Patten proposals at all. Since April there has been a series of negotiations. No progress has been visible, although Chinese rhetoric has eased. Some doubt that the British government is really committed to supporting Mr. Patten. But he remains upbeat.

The added fascination of this business is Chris Patten himself. He is a politician, the first in the job after a long line of colonial administrators. He managed the Conservative Party's upset victory in the British election last year, but he lost his own seat in Parliament.

Will he go back to British politics? The dismal standing of Prime Minister John Major right now makes that an interesting possibility to many observers. Mr. Patten is young — 49 — and charming. He says that whatever happens here, he is not mesmerized by the thought of returning to the British political cockpit. But he added, "I may do."

The New York Times.

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IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1893: Immigrant Ship
NEW YORK — The Russian immigrants on the Steamship Red Sea, who were landed on Ellis Island, tell horrible tales of their hardships and privations on the voyage. The ship was rocking with fever. Some of the passengers seemed half-starved and fainting when asked the quarantine officials for food. The Times says in an editorial: "The suffering of the passengers must excite indignation and sympathy. Still if the immigration of such immigrants under such conditions can be stopped in no other way, the authorities would be justified in requiring the owners of the boat to take a considerable number of the passengers back to Europe."

1918: Sammy and Poilu
WITH THE AMERICAN ARMIES — Americans may feel proud that American soldiers fighting under French direction and side by side with the poilus — who, in their four years of

camaraderie have learned all there is to know about modern warfare — are occupying important positions in the line which the Hun, in his attempt to reach Epinay and Châlons, is striving to force back. The French are enthusiastic in their praise of the Americans. They see superlatives in describing their fighting qualities.

1943: Die for Mussolini?
WASHINGTON — [From our New York edition.] President Roosevelt and Prime Minister Churchill delivered an ultimatum to the Italian people by radio and pamphlet bombardment today [July 16] notifying them that they must surrender honorably to the "suffering and courageous" Allies or "suffer the consequences" of an invasion which would ravage the homeland. The message, which bore unmistakable Churchillian touches, stated bluntly: "The time has come for you to decide whether Italians shall die for Mussolini and Hitler — or live for Italy and for civilization."

ART

Old Masters' Sales Rejuvenate Market

International Herald Tribune

LONDON — There are times in art as in other physics when a critical mass is attained, setting off a chain of reactions. It happened twice in the last few days with Old Master paintings.

The conjunction of some stunning pictures in selling exhibitions put up by the London art trade and sales with better works than usual in the auction rooms suddenly gave the field a new impetus. It reminded hitherto reluctant buyers that great art is still floating around.

The impact made by Agnew's show, on view at 43 Old Bond Street until the first week of August, cannot be overestimated. Collectors and dealers alike were jolted out of their slumber by the appearance of a major Rubens, "The Holy Family With the Infant John the Baptist," not seen in public since 1948.

A recent cleaning and X-ray examination revealing numerous spontaneous corrections, during execution prove that it is entirely from the master's hand, a particularly sensitive point concerning Rubens. The Virgin's features are, as usual, those of the artist's wife. Seated under a drapery floating under the branches of a tree added as an afterthought, she is lost in reverie. A heavenly infant Saint John clutches the leg of Jesus. Despite the proclaimed intention, there is not much religious feeling to it. Nothing seems further removed from the lush world of Rubens.

A \$12 million price tag attached to the picture is not such a large figure when measured by the standards of Impressionist and Modern Masterpieces. Its public disclosure and the confidence in the market that this implies is an event in itself.

Other works easily compete with the Rubens for sheer beauty. Aelbert Cuyp's "View of Dorchester With a Beacon" stands close to the top within the Dutch landscape painter's oeuvre. The pale sun haze above the river bank already steeped in late afternoon shadow, the dark steely reflections in the water, capture a moment of stillness in golden light contemplated by tiny figures. This is the ultimate in Dutch landscape painting.

Most astonishing perhaps is to find here for sale one of Constable's greatest landscapes, which was the discovery of the memorable 1991 Constable show. "The Wheatfield" was painted in August 1815, out in the fields, long before Corot and the Barbizon school advocated the method. It is

an unusual Constable, with a jewel-like finish, and a composition as unconventional as it is subtle with its tiny silhouettes along a path.

A rare painting by the admirable Richard Wilson, little known outside British and U.S. collecting circles, has not been exhibited in the West since 1852 (oddly, it traveled in Japan last year). The arcadian landscape was painted by the artist during his stay in Italy in 1753-54. Rodney Merington, one of the Agnew directors, notes in the catalogue entry that Wilson was already imbued with European Classicism as represented by Claude.

But if Claude's emphasis was on carefully balanced detail, Wilson's was on the balance of light and shadow. A deeply poetic feel for nature comes out in the simplified composition. The handling of blackish green foliage setting off the golden traces of another tree further away, makes "Acqua Aosteana" a rare masterpiece, romantic in feeling, classical in its restraint.

Added one of the most beautiful Francesco Guardi anywhere, "San Cristoforo in Mirano," with a view of a now vanished Romanesque church, offered as one of a \$6 million pair. Thrown in a great sketch in oil on paper by Gainsborough, with that brevity and sensitive perception of atmospheric effects found in the sketches from nature that he painted for himself. Consider for good measure, one of Peter de Wint's greatest watercolors in his late years, around 1850, priced at \$48,000, and the Agnew's selling exhibition is one of those shows that long linger in the viewer's mind.

Next door at 41 Old Bond Street, Noortman added a more modest contribution until Friday. The Pieter de Hooch scene of

dealers who had been holding back for months joined the fray. Konrad Bernheimer of London and Munich, in partnership with Bruno Meissner of Zurich, paid, again, \$551,500 to get one of the largest existing landscapes by Paul Brill. The nymphs bathing in a pool as art of the Diana and Actaeon theme are from another hand, which has been the object of much speculation in the last 200 years, ranging from Carracci to Giuseppe Cesari, alias the Cavaliere d'Arpino.

A highly detailed view of Rome showing monuments since altered by Caspar von Witzel, known as Varvittelli, vastly exceeded the high estimate at \$775,500. Done in the first 10 years of the 18th century, it is the work of the artist considered to be the true founder of the Vedutisti school, famous for its later Venetian developments. It culminated with a Canaletto Venetian view selling for \$711,000, followed by three Antonio Joli panoramic views of Rome, Madrid and London, all going for very high prices even though other versions are known.

As with Dutch painting, the sustained interest in townscapes related to a definite trend, steeped not just in aesthetics but in a broader yearning for the vanished past. That trends should once again be perceptible is further confirmation of a born-again market.

It can only gather momentum where Old Masters are concerned. It is indeed becoming clear, as was the case with Impressionism in the 1970s, that the historical phase in which great works are still at hand will come to a close in the foreseeable future, say 10 to 20 years at the most. This gives a sense of greater urgency. Museums are the first to respond, partly because it is always easier to spend money that involves no personal risk.

On Wednesday at Sotheby's, the Tate Gallery and Gainsborough's House, Sudbury, united forces to purchase for £1,079,500 an early Gainsborough conversation piece that had always remained with the descendants of one of three of Gainsborough's friends and patrons seen in the picture. That same day, the National Portrait Gallery acquired a portrait of Mary II, Princess of Orange, at a more modest £54,300. In both cases, the incentive was the same — history. There is nothing like it to set in perspective and dispel a passing fit of gloom.

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Rubens' "Holy Family" is on sale for \$12 million.

FASHION

Couture: Down but Not Out It Picks Up Bouquets From High-Profile Weddings

By Suzy Menkes International Herald Tribune

PARIS — Couture may be down on its luck and short of a buck, but there is life in the old girl yet. The high fashion season that opens Saturday welcomes two new names — Maurizio Galante and Luisa Beccaria, both from Rome couture and both claiming to address a new, young clientele.

They balance the bad news: Lanvin's new boss, Loic Armand, has closed the firm's couture atelier in an attempt to stem its losses, 130 million francs in 1992; the Bic group would be happy to sell Guy Laroche, and Yves Saint Laurent is under legal threat about alleged insider dealing in the company's shares and about the naming of its new perfume "Champagne."

Yet couture has registered a surprisingly successful summer season. "We have had an exceptional season and we are seeing more and more young clients whom we introduce to haute couture and give them a taste for it," says Catherine Riviere, Chanel's couture director.

One of those clients is Princess Diana, 32, who has just taken delivery of two outfits. The marriage Thursday of Claude Montana and model Wallis Francken is a fitting symbol for haute couture, even if Montana's working relationship with Lanvin ended in divorce. Several fashion houses have been saved this summer by marriages à la mode.

High profile weddings include the society marriage last week of the Count of Uzès with the Italian Alessandra Passerini d'Entrèves. (Gianfranco Ferré of Dior made the bridal gown out of 40 meters of silk organza and 50 meters of tulle). For the ball to celebrate the union of the Crown Prince of Liechtenstein and Sophie of Bavaria, the bride wore a pink-and-white-flowered and candy-striped gown by Jacques Fath (the subject of a retrospective at the Palais Galliera).

Emmanuelle Ungaro's pink-and-white-flowered gown (with sugar pink hair and mother Barbara Cartland dressed to match) was the choice for the third marriage of 63-year-old Countess Raïne Spencer, stepmother of Princess Diana. The British tabs had a field day with the Emmanuelle Ungaro dress, claiming that the countess posed for Paris-Match in the cambrie toile, bristling with pins, because she got the dress for free. Spencer deserted her favorite designer Erik Morstrom (formerly with Balmain, now with Jean-Louis Scherrer), who has consoled himself by making a wardrobe for Queen Sirikit of Thailand.

At Balmain, Oscar de la Renta has had a triumph by making, as he puts it, "clothes that real women want to wear." Balmain sold 100 pieces from his first collection and Parisians are betting that he will net the new American ambassador, Pamela Harriman.

Offstage and off camera, young and glamorous women are drawn to haute couture — with Beccaria, who shows Wednesday, dressing the gilded youth of her own aristocratic Italian circle (she is married to a Sicilian prince). Clients for Paris couture come rather from the world of shiny hotels and Swiss bank accounts. Deep off the record, one Avenue Montaigne couturier laments the tale of dressing a mob wedding last spring in which the young couple had never met — and he was asked to double the lace veil and cover it and the train with embroidery (24 meters, cost \$120,000) so that the bridegroom could not see what he got.

A different Avenue Montaigne couturier tells of the Marie Antoinette dress in pale blue duchess satin he created for a client for whom only hiring Versailles was good enough for her son's bar mitzvah. The drama of Paris couture is that it is trying to keep up a high wire act; presenting a collection of discreet luxury that fits the politically correct climate in strained times; and servicing a clientele who, as Christian



Gianfranco Ferré's Dior wedding gown for the new Countess d'Uzès.

Lacroix says about wedding dresses, want "more and more" a personal service and an individual design. Mortensen spells out the problem when he says, "I have a feeling for embroideries of dew drops sparkling under fallen leaves — but there is no couture client in the world who wants to wear dead foliage."

So how to generate a collection that brings maximum publicity when the real clients seldom sit front row? (Even Anne Bass is passing up the shows in favor of learning French). The recent trick of hiring a movie or rock star is becoming problematical, as they show no brand loyalty and sell themselves to a higher bidder.

A lofty way of promoting haute couture is as an investment to rank alongside works of art. The auction houses are pushing the idea of couture, with mixed results. On June 8 Drouot Richelieu held an auction of dresses entitled Modernité d'Hier (The Modernity of Yesterday), starting Vionnet and Chanel and pushing prices up to 10,000 francs. The first annual sale of couture — from the wardrobe of opera singer Marian Anderson — will be held in New York in September at William Doyle galleries.

But there was also a spectacular flop this summer, when Hubert le Blanc put up for sale on June 8 some of the most sumptuous couture outfits of the 1930s. They belonged to one of Paris couture's biggest spending clients, divorced by her millionaire German husband after an indiscreet liaison. So much for making a quick buck. Yves Saint Laurent's Mondrian-inspired suit, dresses from Dior and Lacroix that had cost millions all went under the hammer for a few thousand francs.

It would take a novelist to do justice to the foibles of the rich and shameless. But the future of couture lies not with its elitist clientele, but with the luxury conglomerates who finance the shows. And ultimately the current fall in the sales of Champagne and the currency crisis of the French franc will have more significance in the high fashion world than the rise and fall of hemlines.

A Rare View of an Indecisive Michelangelo

By Ken Shulman

FLORENCE — No Renaissance or baroque artist, and few artists of the current photo-opportunity, soundbite-intoxicated century, were as able and agile in creating a lasting image for themselves as Michelangelo Buonarroti. The painter of the Sistine Chapel and the sculptor of David and Moses consciously cast a mythic shadow that would elevate his stature during his lifetime and perpetuate his monumental memory after his death.

Toward the end, his friend and biographer Giorgio Vasari wrote, the 69-year-old ailing artist wanted to leave "a great number of drawings, sketches, and cartoons done in his hand, so that no one would be witness to his struggle to express his genius, so as not to appear anything less than perfect." Quite simply, Michelangelo did not want to leave traces of his fallibility for posterity.

Michelangelo did burn some of his works and probably on more than one occasion. As a consequence, the artist's drawings are extremely rare, and the extraordinary interest generated by the July 8 exhibition "The Holy Family at Egypt" at Christie's is testimony to their extraordinary appeal.

In the 16th and 17th centuries, it was still possible to purchase Michelangelo's drawings on the Roman market. And due to the active collecting of his Florentine heirs, and particularly the efforts of his



Michelangelo nude study.

great-nephew, Michelangelo Buonarroti the Younger, the Casa Buonarroti Museum in Florence now possesses the world's most extensive collection of Michelangelo drawings, 205 works in all. Now 18 of museum's drawings, drawings that have not been exhib-

ited for at least 40 years and that span the seven decades of the artist's prolific career, have been put on display in a contained but intriguing monographical exhibit.

The Casa Buonarroti show blends preparatory drawings for paintings, architectural sketches, cartoons, and one finished "presentation drawing" to provide a relatively complete survey of Michelangelo's graphic activity. And it shows the artist as he did not want to be seen: in his moments of indecision.

Many of the drawings are easily associated with major works. There is a red-pencil "Study of a Head," a 1504 three-quarter profile that served as a model for the Madonna in the "Tondo Doni" painting that was commissioned on the occasion of the marriage between Agnolo Doni and Marietta Strozzi. As in most of Michelangelo's works, the model for the drawing was a young male, probably one of the *garzoni* who assisted him.

In "Nude from Behind," we see a study for one of the figures in the "Battle of Cascina," the monumental fresco commissioned to Michelangelo by the Florentine government in 1504. Planned for the Sala del Cinquecento in the Palazzo Vecchio, it was never completed. The pen and ink drawing shows a young warrior, his well-sculpted back muscles relaxed as he bathes in a river during a pause in the battle. The figure is typical of the young Michelangelo. While powerful and expressive, "Nude from Behind" was not held in particular esteem by Michelangelo, as is evidenced by the

notes that the artist later scribbled on the back of the drawing. An excellent example of a "forced" *pentimento* can be seen in the preparatory sketch for the monumental staircase of Florence's Biblioteca Marciana. Michelangelo, who began work on this important commission in 1525, had originally envisioned a double staircase for the library. Later, on the suggestion of Pope Clement VII, he redrafted the design to form a single set of stairs. Both Michelangelo's original idea and the patron-imposed adaptation are visible in the Casa Buonarroti drawing.

Another major change of course is evident in the evocative "Madonna and Child." Most likely a cartoon for a painting that either was never executed or has been lost, the drawing is a well-balanced blend of rough and finished elements similar to that found in the "Prisoner," states that Michelangelo sculpted for the tomb of Pope Julius II. A faint facial contour near the top of the drawing reveals that Michelangelo first intended to show the Madonna in profile as she gazed down at the Christ child; in the finished version, the Madonna looks away from her child in a wistful stare.

The "Study for the Last Judgment" (circa 1534) is the most important surviving sketch of the mural that Michelangelo painted in the Sistine Chapel between 1536 and 1541. The drawing shows Michelangelo in a moment when he still intended to preserve the fresco by Perugino — and his own lunette — that had been previously painted on the chapel's rear wall.

Later, Michelangelo would completely revise the project to cover the entire wall. Ken Shulman is an American writer based in Italy.

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BOOKS

JUST TELL ME WHEN TO CRY: A Memoir

By Richard Fleischer. Illustrated. 349 pages. \$21. Carroll & Graf.

Reviewed by Christopher Lehmann-Haupt

RICHARD Fleischer expects the reader to laugh at the stories he tells in his Hollywood memoir, "Just Tell Me When to Cry." As this director writes at the outset: "Movies are a funny business. For some reason it is almost impossible to tell a serious story about the film industry without everyone laughing. The worse the disaster, the more hilarious it becomes. You can tell of careers being ruined, fortunes being lost, people being injured, or worse, and the reaction is that while it's a serious business, it seems so ridiculous to be taken seriously. After all, it's only moving shadows on a silver screen."

Well, you do laugh a couple of times at Fleischer's stories. You laugh at his account of the distinguished director Harold Curman, having had a request for rain in a scene, turned down for reasons of expense, asking humbly, "Can we afford that?" And you laugh when an actor in "Toral Toral," who, having been rehearsed with verbal prompts to react to an

impending explosion, fails to deliver his lines when the bomb finally goes off because, as he tells Fleischer, "You didn't say 'Boom!'" But mostly you heart sink at Fleischer's anecdotes, and you twist uncomfortably in your seat. His account of directing "Doctor Dolittle" for 20th Century Fox involves a series of betrayals in which he and the film's producer, Arthur Jacobs, must first hire Sidney Poitier for a part that the star of the film, Rex Harrison, doesn't want. Sammy Davis Jr. to play, then break the bad news to Davis, then persuade Poitier not to quit in sympathy with Davis and finally get rid of Poitier to reduce the budget.

These stories tell something about how Hollywood used to work and show the way actors like Harrison, Kirk Douglas and Orson Welles worked.

Directing "20,000 Leagues Under the Sea," the author found that Douglas was never quite comfortable unless he was upstaging his fellow actors. In "Compulsion," playing the trial lawyer Clarence Darrow, Welles could not get through his closing summation unless the actors he was addressing shut their eyes. In contrast, Harrison so treasured eye contact that he would complain if the animals he was singing to in "Doctor Dolittle" weren't looking at him. But then, by this account, Harrison was so skilled that, while drunk at an awards banquet, he was able to play Rex Harrison stone-cold sober. There are so many cases of old scores being

settled that the epigraph of "Just Tell Me When to Cry" might as well have been, "Don't get mad, just write a book." Along with Douglas, Welles and Harrison, figures like Wayne, Robert Mitchell, Darryl F. Zanuck, Julius and Ethel Dino De Laurentis, Laurence Olivier, Terence Rattigan, Neil Diamond and Charles Bronson have arrows shot in their reputations.

Even Walt Disney, who gave the author a major break by hiring him to direct "20,000 Leagues," is criticized for a certain meanness of spirit and for failing to credit the people who worked for him. Here Fleischer is carrying on a family battle; for his father, Max Fleischer, who created Betty Boop and was a pioneer of animated film, never forgave Disney for sweeping the field of cartooning.

Charmingly, he denigrates himself in many of the episodes he recounts. His title refers to an awkward meeting with the actress Sylvia Syms, in which he explained the emotional depths of the character she would be playing for him. "Oh, and by the way," she responded, "whenever you need tears . . . just tell me when to cry."

But it is not altogether clear whether he is amused at the Hollywood that so often tried to con him or angry at himself for occasionally being taken in. Christopher Lehmann-Haupt is on the staff of The New York Times.

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NYSE

Friday's Closing
Tables include the nationwide prices up to
the closing on Wall Street and do not reflect
late traces elsewhere. Via The Associated Press

12 Month
High Low
Div. Yld. PE Ratio

12 Month	High	Low	Div. Yld.	PE Ratio	Company Name
12	11.00	10.00	1.25	11.00	IBM Corp.
12	11.25	10.50	1.00	10.50	Microsoft Corp.
12	11.50	10.75	1.25	11.00	Intel Corp.
12	11.75	11.00	1.00	10.50	Oracle Corp.
12	12.00	11.25	1.25	11.00	Sun Microsystems Inc.
12	12.25	11.50	1.00	10.50	Teradata Corp.
12	12.50	11.75	1.25	11.00	Veritas Software Corp.
12	12.75	12.00	1.00	10.50	Wang Software Inc.
12	13.00	12.25	1.25	11.00	Xerox Corp.
12	13.25	12.50	1.00	10.50	3Com Corp.

Company Name	Price	Change	Volume
American Express Co.	31.00	+0.10	100
Alcoa Inc.	26.00	+0.25	150
American Intl. Group	14.00	-0.10	120
American Intl. Corp.	14.00	-0.10	120
American Intl. Corp.	14.00	-0.10	120
Amgen Inc.	25.00	+0.10	110
Amgen Inc.	25.00	+0.10	110
Amgen Inc.	25.00	+0.10	110
Amgen Inc.	25.00	+0.10	110
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Amgen Inc.	25.00	+0.10	110
Amgen Inc.	25.00	+0.10	110

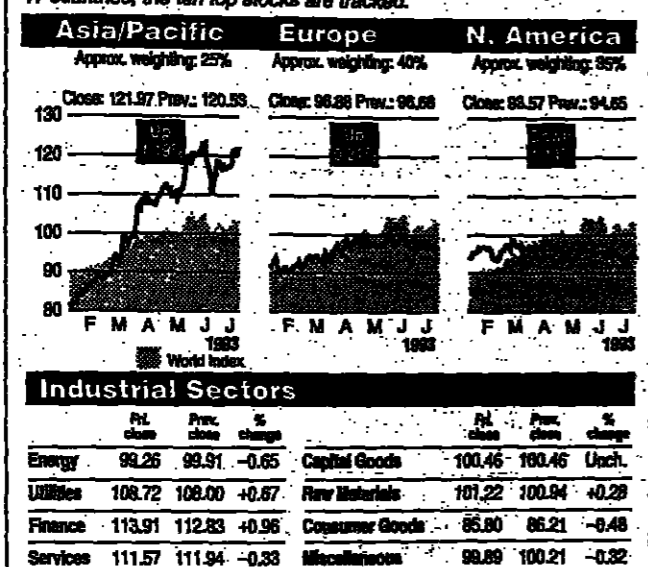
Company Name	Price	Change	Volume
Amgen Inc.	25.00	+0.10	110
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Amgen Inc.	25.00	+0.10	110
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Amgen Inc.	25.00	+0.10	110
Amgen Inc.	25.00	+0.10	110

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For readers desiring more information about the International Herald Tribune World Stock Index...

Apple Plunges After Loss

NEW YORK — Shares of Apple Computer Inc. tumbled on Friday, losing almost a quarter of their value...

"We haven't heard the worst yet," said Kimball Brown, vice president of microsystems for Intel...

IG Farben Fights Closure War Survivors Assail Slow Liquidation

FRANKFURT — IG Farben is a German nightmare that refuses to end. Ordered liquidated by the Allies in 1952...

U.S. Trade Gap Shrank in May As Imports Fell

WASHINGTON — A sharp improvement in the trade balance with Japan helped shrink the United States' trade deficit to \$8.37 billion in May...

GM Discloses Theft Inquiry

DETROIT — General Motors Corp., which has accused one of its former top executives of stealing secrets...

Authorities in Germany, meanwhile, continued looking into allegations made by the American automaker...

ECONOMIC SCENE A Compromise Solution To Save the Everglades

NEW YORK — The river of grass has been given a new lease on life. Interior Secretary Bruce Babbitt...

U.S. Funds Spark Battles Abroad

By Leslie Wayne NEW YORK — The lightning business community in Geneva was shocked last May when one of the city's leading institutional shareholders...

"218 TAX HAVENS": How You Too can Beat the System...

You no longer have to be "rich and powerful" to set up an overseas structure so you keep all or most of what you earn...

Currency & Interest Rates table with columns for Currency, Interest Rates, and Forward Rates.

Key Money Rates table with columns for United States, Eurocurrency Deposits, and Money Rates.

RESERVATION FORM for '218 Tax Havens' with fields for name, address, and contact information.

MARKET DIARY

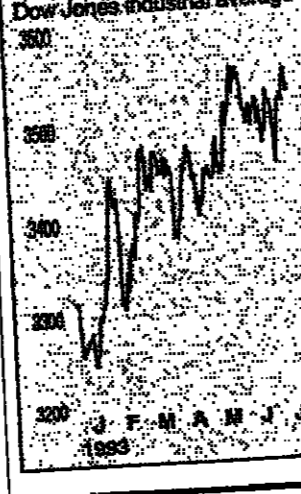
APPLE: Stock Plunges After Loss

Continued from Page 9
they will earn \$1.50 in fiscal year 1995 based on a cost structure that was presented to us last night."
Walter Winnitski of Dillon Read & Co. also lowered his rating to "unattractive." A 15 percent cost reduction might not be enough if sales do not take off because gross margins are moving down, said Mr. Winnitski, who said he saw the company as being in a transition period that would last two years.

RATES: Further Test for EMS

Continued from Page 1
of interest rates more unsustainably high than in France," said Paul Cherkow, London-based analyst at Union Bank of Switzerland.
In addition, although the Bundesbank participated in the joint support of the German central bank officials have never publicly declared — as they have frequently done on behalf of the franc — that there is no justification for a devaluation of the krona.

The Dow



Daily closings of the Dow Jones industrial average

Dow Jones Averages

Table with columns: Index, High, Low, Last, Change. Includes Industrial, Transp., and Composite.

Standard & Poor's Indexes

Table with columns: Index, High, Low, Last, Change. Includes Industrial, Transp., and Composite.

NYSE Indexes

Table with columns: Index, High, Low, Last, Change. Includes Composite, Industrial, and Transp.

NASDAQ Indexes

Table with columns: Index, High, Low, Last, Change. Includes Composite, Industrial, and Transp.

AMEX Stock Index

Table with columns: Index, High, Low, Last, Change. Includes Composite, Industrial, and Transp.

Dow Jones Bond Averages

Table with columns: Index, High, Low, Last, Change. Includes 20 Bonds, 10 Utilities, and 10 Industrials.

Market Sales

Table with columns: Index, Volume, Change. Includes NYSE, AMEX, and NASDAQ.

N.Y.S.E. Odd-Lot Trading

Table with columns: Date, Buy, Sell, Short. Includes July 15, 16, and 17.

S&P 100 Index Options

Table with columns: Strike, Price, Change. Includes July 16 and 17.

EUROPEAN FUTURES

Table with columns: Index, High, Low, Last, Change. Includes Food, Metals, and Industrials.

Food

Table with columns: Index, High, Low, Last, Change. Includes Wheat, Soybean, and Corn.

Metals

Table with columns: Index, High, Low, Last, Change. Includes Aluminum, Copper, and Zinc.

Industrials

Table with columns: Index, High, Low, Last, Change. Includes DAX, CAC, and Nikkei.

Stock Indexes

Table with columns: Index, High, Low, Last, Change. Includes FTSE, Nikkei, and Hang Seng.

Spot Commodities

Table with columns: Commodity, Price, Change. Includes Wheat, Soybean, and Corn.

Dividends

Table with columns: Company, Dividend, Yield. Includes Procter & Gamble and Security First.

For investment information

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NYSE Most Active

Table with columns: Ticker, High, Low, Last, Change. Includes LUCHEB, PFE, and others.

AMEX Most Active

Table with columns: Ticker, High, Low, Last, Change. Includes ROLCO, PFE, and others.

NYSE Diary

Table with columns: Ticker, High, Low, Last, Change. Includes AMZN, PFE, and others.

AMEX Diary

Table with columns: Ticker, High, Low, Last, Change. Includes AMZN, PFE, and others.

NASDAQ Diary

Table with columns: Ticker, High, Low, Last, Change. Includes AMZN, PFE, and others.

Foreign Exchange

Table with columns: Currency, Rate, Change. Includes DM, SF, and others.

McDonough Gets Fed Post

NEW YORK — The Federal Reserve Bank of New York named William J. McDonough president, effective Monday. Mr. McDonough, 59, will succeed E. Gerald Corrigan, who is retiring Aug. 20 after serving as president since January 1985.

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WORLD STOCK MARKETS

Large table listing stock market data for various international markets including Amsterdam, Brussels, Frankfurt, London, Milan, Paris, Sao Paulo, Singapore, Zurich, and others.

U.S. FUTURES

Table listing U.S. futures market data for various commodities and indices.

Grains

Table listing grain futures market data for wheat, corn, and soybeans.

Metals

Table listing metal futures market data for copper, aluminum, and zinc.

Livestock

Table listing livestock futures market data for cattle and hogs.

Financial

Table listing financial futures market data for Treasury bonds and interest rates.

Food

Table listing food futures market data for various agricultural products.

Texas Instruments Net Surges 55%

DALLAS (Bloomberg) — Texas Instruments Inc., the fourth-largest U.S. computer-chip maker, reported that second-quarter net income surged 55 percent, to \$112 million, on strong demand for memory and logic chips.

Aluminum Prices Undercut Reynolds

RICHMOND, Virginia (Bloomberg) — Reynolds Metals Co. said Friday that oversupply of aluminum resulted in a second-quarter loss. The second-largest U.S. aluminum producer after Alcoa, said it lost \$22.8 million, compared with net income a year ago of \$25 million.

Tandy Cancels Links With InterTan

FORT WORTH, Texas (Bloomberg) — Tandy Corp. said Friday it canceled its long-term distribution and licensing agreement with InterTan Inc., the troubled Canadian company that uses Tandy retailing concepts internationally.

E-Systems Rises Despite Order Drop

DALLAS (Bloomberg) — E-Systems Inc., a defense electronics company, said Friday that its income rose 12.5 percent, to \$30 million, in the second quarter despite a decline in orders for the first half of the year.

For the Record

The New York Times Co., after spending almost \$100 million buying back shares since it announced on June 11 to acquire Affiliated Publications Inc., the publisher of The Boston Globe, said that it would spend up to \$150 million more during the next several weeks.

U.S. FUTURES

Large table listing U.S. futures market data for various commodities and indices, including grains, metals, livestock, financial, and food.

DAQ

Table listing data for the NASDAQ market, including various stock prices and indices.

EC Bank for Frankfurt? Not So Fast

Compiled by Our Staff From Dispatches

FRANKFURT — European governments on Friday dispensed a report that the EC Commission had agreed the European Central Bank would be located in Frankfurt.

The German financial newspaper Handelsblatt reported that a decision had been taken behind the scenes in favor of Frankfurt. The report said the ECB's precursor, the European Monetary Institute, would begin operating in Frankfurt early next year.

(Bloomberg, IET)

Brussels Tries to Cut Fat Deficit Keeps Growing, Options Shrink

Bloomberg Business News

BRUSSELS — Belgium's shaky coalition government is tracing itself for a tough round of budget talks, and there are signs that plans for reducing the deficit are going awry.

In talks starting next week, the government will confront the harsh reality that tax increases and spending cuts introduced in March will not be sufficient to meet deficit reduction targets.

The problem is there is not a lot more the government can do to bring the deficit under control. Ministers recognize that further tax increases or spending cuts could test the four-party coalition to breaking point.

"The Belgian government's margin of maneuver in terms of the budget is practically nonexistent," Finance Minister Philippe Maystadt said.

Just three-and-a-half months ago ministers were congratulating one another on approving a package of budgetary measures aimed at reducing the budget deficit by 110 billion Belgian francs (\$3.1 billion) from 485 billion francs in 1992.

The mix of spending cuts, tax increases and asset sales will lead to the deficit being cut to 4.7 percent of gross domestic product by the end of 1994 from 6.5 percent in 1992, and pave the way to reducing the deficit to 3 percent of GDP by the end of 1996, the government said.

Under the terms of the Maastricht Treaty on European Union all EC countries must cut government deficits to 3 percent of gross domestic product by the end of 1996 and aim to reduce total public debt to 60 percent of GDP.

But things have not gone Belgium's way. First, the government underestimated the depth of the recession. At the beginning of the year, it said 1993 GDP would grow 0.5 percent, now it expects a decline of about 0.7 percent.

The recession has in turn led to rising unemployment, putting further strains on the social security purse strings. In June, unemployment rose to 12.1 percent from 12.0 percent in the previous month.

Then, plans to sell state-owned companies were delayed amid a dispute over whether the govern-

ment should sell more than half the shares in a bank and an insurance company. The government had hoped to raise 25 billion francs from the sale.

Finally, although the cost of financing Belgium's bloated public debt has been reduced by successive reductions in interest rates, the debt itself is still growing. In May, it reached 125 percent of GDP.

A Belgian economic research institute, the High Council on Finance, said the government would have to find a further 65 billion francs between

1994 and the end of 1996 if it is to hit the Maastricht target. But such an idea is opposed by Mr. Maystadt.

He said further tax increases or spending cuts would be "hazardous" because they would jeopardize next year's expected recovery.

Instead, the government is likely to focus on ways of boosting the competitiveness of Belgian companies in order to kick-start the economy. A stronger economy means more government revenue and a lower deficit, the government reasons.

Prime Minister Jean-Luc Dehaene said he would like to see corporate social security contributions reduced and has already approved one measure to do so.

Mr. Dehaene said he wants to further reduce companies' social security bill and raise money instead from indirect taxes such as value-added tax.

Should all else fail, the government has one last ace up its sleeve: Belgium, the state-owned telephone monopoly, which analysts estimate could raise 100 billion francs if privatized.

By the same token, environmentalists who have been waging guerrilla warfare against farmers for a decade are smarting about two compromises. The pact puts a clear limit on the farmers' responsibility for the cost of the filtration marshes, and it decrees that a portion of the marshes will be built on public land.

But the agreement will prevent the lawyers from fiddling while the Everglades chokes on cattails. And it is a high-profile precedent for meeting a high-priority environmental challenge — the protection of lakes and rivers from "nonpoint source" pollution.

For the easy part of cleaning America's water is almost done. Most of the silt still entering public waterways comes from thousands of storm sewers, tens of thousands of farms and millions of lawns. One way or another, government is going to have to identify the sources and create incentives for cost-effective abatement.

Waigel Predicts End to Recession In Third Quarter

BONN — German Finance Minister Theo Waigel said Friday that the German economy should stabilize in the third quarter and that a recovery could become discernible in the fourth.

Several of the country's economic research institutes and a poll of managers also agreed that Germany's worst post-war recession had bottomed out.

"We have a situation now where, according to all economic indicators, the decline has been broken," Finance Minister Theo Waigel said in Budapest. "I do not want to be euphoric, but I note that the curves seem to be headed back up."

His comments echoed those of Economic Minister Günter Rexrodt, who said Thursday that recovery was on the way. "Plus signs in a series of economic indicators suggest that we will turn the corner next year," Mr. Rexrodt said.

Many economists have been predicting that Germany's gross domestic product would contract by 1.5 to 2 percent this year and grow by around 1 percent next year, a view shared by the government.

The Hamburg economic research institute HWWA, one of Germany's five leading research groups, said it saw the German economy picking up in the fourth quarter of 1993. "The bottom of the recession has been reached," it said, citing recovering export orders as a main reason.

A survey by the Emnid polling institute said its latest survey showed the majority of managers in Germany also expect a modest recovery this year.

However, not all economists are so optimistic. Glen Liddy, economist with Kleinwort Benson Research in London, said there was no real sign that a recovery was imminent.

"Our view on the economy is quite negative. We are looking at a decline of 2.5 percent in the West German economy this year and no improvement next," he said.

The German Institute for Economic Research in Berlin said last week that government plans to cut spending next year could kill off expected economic growth and lead to continued stagnation.

Investor's Europe. Frankfurt DAX, London FTSE 100 Index, Paris CAC 40. Table with columns for Exchange, Index, Friday Close, Prev. Close, and % Change.

Very briefly:

- The Milan Borsa's first day of screen trading for all blue chips went smoothly, with volume nearly doubling to 473 billion lire (\$296 million).
Italian industrial production declined a seasonally adjusted 0.1 percent in May from April and dropped 5.8 percent from a year earlier.
Yorkshire Food Group PLC is forming a joint venture with Del Monte Corp. via a \$26.7 million acquisition of the U.S. company's dried fruit business.

EVERGLADES: A Compromise Between Farmers, Environmentalists

Continued from Page 9
legal battle, with the farmers using their financial muscle to delay implementation.
But U.S. Sugar Corp., the largest of the landholders and a company that had gone a long way to alone for the sugar industry's legendary abuse of itinerant labor, preferred to deal. And the agreement the industry has just cut with Florida and the Interior Department contains more than a little something for everyone.

The environmentalists get their filtration marshes, a cleanup method the farmers believe will cost far more than alternative technologies. But the growers will get credit against their part of the bill for removing up to 45 percent of the phosphorus on their own.
This will allow — indeed, almost guarantee — the creation of a system of tradeable pollution credits not very different from the one

now being set in place nationally to remove sulfur from power plant smokestacks.
The farmers will divide the responsibility for removing phosphorus, then pay the most efficient among them to refrain from polluting. Robert Hahn, an economist at the American Enterprise Institute, thinks the farmers can remove phosphorus at less than half the cost of the marsh solution.
What J. Nelson Fairbanks, the president of U.S. Sugar, calls an "environmental peace plan" goes far beyond defining the farmers' responsibilities for runoff. It also includes a framework for dividing rights to Florida's water, and a technical plan for recreating something akin to sheet flow for the grasslands south of the sugar cane fields.
There is plenty of offstage grumbling about the deal. Growers do not see why they should be obliged to discharge water that is purer than the water entering their fields.

Fraud Alleged at Hoechst

FRANKFURT — Hoechst AG, one of Germany's big three chemical concerns, said Friday that it was widening its investigation of an alleged multimillion-mark fraud by employees dating back to 1987.

A Hoechst spokesman, Hans-Bernard Haier, confirmed press reports saying the company had dismissed three employees in the affair, which involved the submission of fake invoices, and added that "a number" of other employ-

ees were under investigation. Hoechst's internal auditors are looking into the case, he said.
Hubert Hart, press spokesman for the public prosecutors' office in Frankfurt, said about 20 people were being investigated. Some of these worked for the Frankfurt-based engineering company Hartmann & Braun AG, a supplier to Hoechst, he said.

Mr. Hart estimated the size of the fraud at about 20 million Deutsche marks (\$11.6 million).

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FARBEN: War Survivors Assail Notorious Company's Slow Liquidation

Continued from Page 9
companies, with 190,000 employees. The letters IG are an abbreviation for the German words for Interest Group. Bringing the giants Bayer AG, BASF AG and Hoechst AG under one roof, it controlled 40 percent of global chemicals and pharmaceuticals trade in its time.

Many of its component companies' biggest holdings were in Eastern Germany, and were seized by the Soviet occupation army after World War II, then handed over to the Communist government of East Germany.

In the German Unity Treaty signed by the Allied powers three years ago, claims on return of eastern property taken over between 1945 and 1949 are prohibited. Germany has said that the prohibition was a condition imposed by the Soviet Union, without which it would not have permitted East and West Germany to unify.

But some claimants argue that Germany imposed the condition because federal and local governments wanted much of the property in question themselves.
"I don't see any legal avenue for restitution," a spokesman for the German Finance Ministry said when asked about IG Farben's claims on eastern property. "Others have tried to take

issue with the government's position, but the supreme court has repeatedly turned them down."
"The actions of Daimler-Benz AG in connection with AEG AG and also of Siemens AG are particularly important for our company," said Günter Vollmann, one of IG Farben's two lawyer-liquidators. "Before we were almost alone."

Daimler-Benz, Germany's largest industrial group, recently entered the legal fray with claims on property expropriated during the Soviet occupation from AEG, now its subsidiary.

NASDAQ Friday's Prices. NASDAQ prices as of 4 p.m. New York time. This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar volume. It is updated twice a year.

Main financial table with columns for 12 Month High Low, Div, Yld, P/E, High Low, Last, Chg, 12 Month High Low, Div, Yld, P/E, High Low, Last, Chg, 12 Month High Low, Div, Yld, P/E, High Low, Last, Chg.

NYSE

Friday's Closing Tables include the worldwide prices up to the closing on Wall Street and do not reflect late trade elsewhere. See The Associated Press (Continued)

Table with columns: 12 Month High, Low, Stock, Div, Yld, PE, 52-Week High, Low, Last Sale, Ctr. Includes various stock listings.

Table with columns: 12 Month High, Low, Stock, Div, Yld, PE, 52-Week High, Low, Last Sale, Ctr. Includes various stock listings.

BANK: Showy Offices Were Just Tip of Iceberg at Attali's European Bank

Continued from Page 1... auditors were told by Mr. Attali's staff that he had signed that check on Feb. 10 of this year. The report said that Mr. Attali's staff had attributed the fact that it was not deposited until May 4 — after the start of the present inquiry — to the check having been mislaid.

Bank D

...of a private nature, or for which no supporting invoices had been provided. It did note that on June 22, just three days before he resigned and well after the investigation had begun, Mr. Attali reimbursed the bank for \$20,431 worth of expenses incurred between 1992 and 1993.

ADVERTISING

INTERNATIONAL FUNDS

Quotations supplied by funds listed. Not all values are supplied by the funds listed with the exception of those funds listed on these pages.

Table of International Funds with columns: Fund Name, Class, Price, and other details. Includes various global and regional funds.

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Continued from Page 1

...to why that fund was set up. Their problem was that a transcript of a crucial meeting was now missing as were several audio tapes of that meeting. The committee and auditors from the firm of Coopers & Lybrand, who were brought in to aid the investigation, encountered similar difficulties in verifying some of Mr. Attali's personal expenses, particularly those relating to the charter of private jets.

Continued from Page 1

...in his news conference, Mr. de Neergaard insisted, however, "that we have not found any evidence of fraud." Another unsolved mystery is why the bank relied, "almost exclusively," on one company for its chartered jets, the report said.

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Taiwan Hopes BAE Pact Near

TAIPEI — Taiwan hopes to reach final agreement on its planned joint venture with British Aerospace PLC by the end of this month, Vice Economics Minister Yang Shi-chien said on Friday.

Mr. Yang, speaking after briefing legislators on the deal, reiterated that the Taiwanese government supported the project and believed it would develop the island's fledgling aerospace industry.

But he said a Taiwan banking consortium that would provide financing was still negotiating details with British Aerospace in an effort to reduce risk.

British Aerospace and Taiwan Aerospace Corp., 29 percent owned by the Taiwanese government, signed a contract in January to form a 50-50 venture making regional passenger jets. The planes would be assembled in Britain and Taiwan.

But subsequent talks on establishing the venture ran into difficulties as the partners wrangled over financing from Taiwan.

A number of Taiwan legislators have expressed opposition to the deal, although the extent of the opposition is not yet clear.

Mr. Yang said earlier this week the Taiwan bank consortium would provide \$460 million in loans to the venture, mainly to finance an aircraft lease sales facility. The Taiwan government would lend 7 billion Taiwan dollars (\$265 million) to fund development of a new jet.

Mr. Yang noted a study by Morgan Stanley Group Inc., the New York-based investment banking firm, as saying the venture had at least a 50 percent chance of earning a 15 percent return, and a 10 percent chance of operating at a loss.

The study forecast the venture would take 25 to 33 percent of the world market for 70- to 130-seat planes, of which 4,260 would be needed in the next 20 years.

Bank Deal in Hong Kong China Resources and Lippo Tighten Links

HONG KONG — China Resources (Holding) Co., a Beijing-controlled conglomerate, announced Friday that it was paying 509 million Hong Kong dollars (\$65.6 million) to raise its stake in Hong Kong Chinese Bank Ltd. to 50 percent.

The move marks a deepening of the alliance between Lippo Group of Indonesia, which has been majority shareholder of the bank, and China Resources, one of the largest and most diversified companies in Hong Kong. It also marks a significant penetration of the Hong Kong financial sector by a Chinese state-controlled company.

China Resources can provide the leverage for the bank to expand into the PRC, or People's Republic of China, said Mochtar Risydy, chairman of Lippo Group.

China Resources had held 15 percent of Hong Kong Chinese Bank, with the other 85 percent held by Hongkong Chinese Bank Holdings Ltd., a vehicle floated on the Hong Kong Stock Exchange last summer. Its sole asset was the bank, which has 15 branches in Hong Kong.

About 21 percent of HKCB Holdings was offered to the public, but control remained with Lippo Ltd., a Hong Kong unit of Lippo Group.

Under the agreement, China Resources will raise its stake in Hongkong Chinese Bank to 50 percent in two steps. First, it will buy 183.3 million shares in the bank from HKCB Holdings for 250 million dollars. Then, China Resources will subscribe for a total of 20.4 million new shares at the same price, raising 51 million dollars. This represents approximately 3.56 percent of the enlarged share capital.

The subscription price of 2.50 dollars represents a premium of 50.7 percent over the net asset value of the bank as of last Dec. 31. HKCB Holdings started trading on the Hong Kong Stock Exchange last October at 2.30 dollars a share.

China Resources has 30 principal subsidiaries and more than 10,000 employees in Hong Kong. The company provides about 40 percent of the colony's staple foodstuffs, trades in oil and gas, and has port and hotel developments in the territory.

Its major shareholders include 15 of China's largest government corporations.

China Resources said it will use the cash to improve its services to its existing customers and to finance its expansion into the PRC. The bank's assets include 15 branches in Hong Kong and 15 branches in mainland China.

China Resources said it will use the cash to improve its services to its existing customers and to finance its expansion into the PRC. The bank's assets include 15 branches in Hong Kong and 15 branches in mainland China.

China Denounces Cuts by Washington In Textile Quotas

BEIJING — China denounced as unacceptable the United States' decision to cut China's textile quota in retaliation for illegal shipments, an official report said Friday.

"We are opposed to the U.S. action," said Zhou Koren, an official with the Ministry of Foreign Trade, according to the China Daily.

He reportedly said the U.S. move violated textile agreements between Beijing and Washington and that China was considering submitting the case for international arbitration.

The U.S. move was the latest in a decade-long textile battle in which China has tried to expand exports to boost its economy and the United States has tried to protect its domestic manufacturers from relatively cheap imports.

The United States said last month it was reducing China's textile import quotas by about 6.85 million square meters (8.22 million square yards) as a penalty for illegal shipments.

The China Daily said the cut

would cost China's textile exporters \$80.6 million of sales.

Under an agreement with Washington, China has a quota for annual textile exports to the United States. Chinese exporters evade the quotas by shipping their products through third countries and labeling them as having been made in those countries. South America, Pakistan, Malaysia, Taiwan and the United Arab Emirates are frequent transshipment points.

The United States says that Chinese companies each year ship \$2 billion of low-cost garments in violation of U.S. quotas by attaching false third-country certificates of origin and re-exporting them.

U.S. officials acknowledge that China has tried to stop such transshipments but said it could do more.

China has issued four documents since 1990 outlining a crackdown on falsifying country of origin on textiles and published dozens of companies for engaging in transshipping.

Investor's Asia				
Hong Kong Hang Seng		Singapore Straits Times		Tokyo Nikkei 225
8000	2000	2200	2000	
7500	1800	2100	1900	
7000	1600	2000	1800	
6500	1400	1900	1700	
6000	1200	1800	1600	
5500	1000	1700	1500	
1993 F M A M J J				
Exchange Index		Friday Close	Prev. Close	% Change
Hong Kong	Hang Seng	6,928.22	6,978.94	-0.76
Singapore	Straits Times	1,777.66	1,782.95	+0.89
Sydney	All Ordinances	1,799.80	1,805.80	-0.34
Tokyo	Nikkei 225	20,331.50	20,158.02	+0.86
Kuala Lumpur	Composite	736.78	714.23	+3.02
Bangkok	SET	885.36	890.05	-0.53
Seoul	Composite Stock	759.17	762.40	-0.42
Taipei	Weighted Price	3,914.04	3,969.17	-1.39
Manila	Composite	1,615.12	1,624.07	-0.56
Jakarta	Stock Index	356.74	356.58	+0.04
New Zealand	NZSE-40	1,704.36	1,711.45	-0.41
Bombay	National Index	1,009.00	1,021.60	-1.23

Petronas Plans More Foreign Issues

KUALA LUMPUR — Fresh from a \$500 million fund-raising foray in the United States, Malaysia's national oil company will tap international markets to pay for 25 billion ringgit (\$9.3 billion) worth of projects it has in the pipeline till 1997, executives said Friday.

"If you look at our requirements in the near future, we will need something like 25 billion ringgit," said Tan Sri Datuk Azizan Zainal Abidin, president of Petroleum Nasional Bhd.

He said Petronas would find the money overseas, but it is looking at our doors," Tan Sri Azizan said, asking "when you want to come and borrow."

The 10-year \$500 million debt issue paying 6.75 percent interest was oversubscribed several times. Petronas was the first sovereign borrower from Southeast Asia to raise funds through dollar-denominated bonds in the U.S. market, officials said.

Tan Sri Azizan said Petronas may tap the European and Japanese bond markets as part of its international financing needs.

He said although Petronas has total assets of \$14.4

billion and cash reserves of \$6 billion, there were competing reasons for it to borrow money.

"The fact that we are cash-rich makes it easier for us to raise funds cheaply," he said. Also, he said, Petronas did not want to use its cash, which is kept mainly in the local banking system and in Malaysia's offshore financial center in Labuan.

"If we withdraw too much of this, it is going to have an impact on our ability to lend," he said. Tan Sri Azizan said. "We are keeping our money in the banks to let the banking system take advantage of it."

Mohamed Hassan Marican, a senior vice president of Petronas, said the company earned 1 billion ringgit last year from investments.

Petronas's revenue will double to 35 billion ringgit a year by 1997, when all its projects, mainly new oil refineries and gas plants come on-stream, Tan Sri Azizan said.

"This does not include earnings that will come in from our overseas ventures," he said. Petronas is going into Vietnam and China to explore for oil.

Petronas made a profit of \$1.615 billion for the year ended March 31, 1993.

Vietnam Refinery Project Set

TAIPEI — Taiwan's state-run China Petroleum Corp. and Total SA of France have proposed a venture to build a \$1 billion refinery in Vietnam, executives of the companies said Friday.

The project, pending approval by the Vietnamese government, would be the largest foreign investment ever in Vietnam, the companies said.

They said Total and the Taiwanese company had proposed a refi-

ery in Vietnam that could process 130,000 barrels of oil a day.

Serge Tchuruk, chairman of Total SA, said the company had achieved substantial progress in pursuing the joint venture, which was first proposed in 1991.

Under the proposal, the French and Taiwanese partners and Petro-Vietnam, Vietnam's state-run oil company, would each hold 30 percent stakes in the venture. A Taiwan investment company would have 10 percent.

China Daily said the cut

REBEL: American Institutions Lead the Way as Shareholders Start Fighting for Rights in Europe and Asia

What we saw at Nestle and the other incidents are a harbinger of things to come." Already, pension funds are trying to limit language, cultural and regulatory barriers to press their cases in countries from New Zealand to Mexico to Britain.

In Mexico, for instance, the State of Wisconsin Investment Board objected to a secondary stock offering at Tubos de Acoero de Mexico, a steel manufacturer. The offering favored one large shareholder over all the others, including the Wisconsin fund, which is currently the largest foreign stakeholder of the company.

To meet its case, the Wisconsin fund, which represents public employees, solicited other American shareholders and sent out news releases in Spanish to large Mexican shareholders.

While ultimately unsuccessful, the action "sent a message to the Mexican market that foreign shareholders expect to be treated fairly," said Kurt Schatz, general counsel to the fund.

The Wisconsin fund also took action in New Zealand, where the Bank of New Zealand was being acquired by National Australia Bank Ltd. The Wis-

consin fund, the largest minority shareholder of the New Zealand bank, argued that the price offered to shareholders was too low. The fund even sent its own representatives to New Zealand, although it was not successful in getting a better price.

But, three weeks ago, the New Zealand securities regulatory agency found that the Bank of New Zealand had understated its earnings, which resulted in a low acquisition bid. The Wisconsin fund is now seeking more information before deciding whether to take further action.

In London, under pressure from shareholders led by the United Mine Workers of America, the conglomerate Hanson PLC "backed down" from an attempt to restrict the ability of shareholders to nominate directors or to amend corporate resolutions.

The about-face came only four days before Hanson's annual meeting. Joining the mine workers in the action were the Wisconsin fund, the Florida Board of Investment and the Houston Firefighters Relief and Retirement Fund, along with some British pension funds.

The reversal by Hanson was described by The Guardian newspaper as "one of the most successful

public demonstrations of shareholder power ever seen in British corporate affairs."

In Germany, a representative of the California Public Employees Retirement System, the largest U.S. public pension fund, stood up at the annual meeting of RWE AG, a large German utility whose board includes a number of senior German business leaders, and denounced shareholder voting restrictions at RWE and other German companies.

"Voting restrictions are an embarrassing anachronism which pulls Germany out of step with international norms," said the California representative, to the applause of shareholders. No change was enacted, although the local press saw the incident as unprecedented in modern German business history.

In Japan, American investors showed up at this year's round of annual meetings, tried to vote their proxies and vowed to be back next year. In Belgium, the Boston-based State Street Bank & Trust Co. voted against anti-takeover measures proposed at two leading Belgian companies.

In addition, the activism has spawned local shareholder rights groups in Britain, Germany, Australia and the Netherlands. And a group of European and American institutional investors has submitted a list

of six pro-shareholder proposals to all West European stock exchanges.

Yet what is happening overseas is not a carbon copy of actions in the United States. "We don't expect Europeans to put on cowboy boots and act American," said Joseph Lufkin, managing director at Global Proxy Services Corp., a Boston concern that represents 70 American institutional funds in 35 countries. "We're trying to create an appropriate role for large holders of foreign equities."

To begin with, European and other foreign stock markets are smaller. And in many countries, tight interlocking networks of businesses, families and banks have historically enjoyed more voting power than minority investors.

Breaking those old networks is difficult. In many European countries, important corporate decisions are often made at annual meetings, with only those showing up being allowed to vote; in the United States, shareholders can vote by proxy.

Getting information about meetings and issues is often difficult in many countries, and some meetings are conducted in regional dialects in order to discourage outsiders from participating.

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AMEX Friday's 3 p.m.

Tables include the nationwide price up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

12 Month High	Low	Stock	Div	Yld	PE	100	High	Low	Latest	Chge
84.00	75.00	AAV	0.00	0.00	15.00	100	84.00	75.00	80.00	+5.00
114.00	105.00	AAC	1.25	5.10	10.50	100	114.00	105.00	110.00	+5.00
22.00	21.00	AAE	0.00	0.00	15.00	100	22.00	21.00	21.50	+0.50
18.00	17.00	AAG	0.00	0.00	15.00	100	18.00	17.00	17.50	+0.50

12 Month High	Low	Stock	Div	Yld	PE	100	High	Low	Latest	Chge
135.00	125.00	AAP	1.50	4.40	12.50	100	135.00	125.00	130.00	+5.00
115.00	105.00	AAQ	0.00	0.00	15.00	100	115.00	105.00	110.00	+5.00
100.00	90.00	AAJ	0.00	0.00	15.00	100	100.00	90.00	95.00	+5.00

12 Month High	Low	Stock	Div	Yld	PE	100	High	Low	Latest	Chge
95.00	85.00	AAL	0.00	0.00	15.00	100	95.00	85.00	90.00	+5.00
80.00	70.00	AAM	0.00	0.00	15.00	100	80.00	70.00	75.00	+5.00
65.00	55.00	AAN	0.00	0.00	15.00	100	65.00	55.00	60.00	+5.00

12 Month High	Low	Stock	Div	Yld	PE	100	High	Low	Latest	Chge
45.00	35.00	AAP	0.00	0.00	15.00	100	45.00	35.00	40.00	+5.00
30.00	20.00	AAP	0.00	0.00	15.00	100	30.00	20.00	25.00	+5.00
15.00	5.00	AAP	0.00	0.00	15.00	100	15.00	5.00	10.00	+5.00

12 Month High	Low	Stock	Div	Yld	PE	100	High	Low	Latest	Chge
120.00	110.00	AAP	0.00	0.00	15.00	100	120.00	110.00	115.00	+5.00
100.00	90.00	AAP	0.00	0.00	15.00	100	100.00	90.00	95.00	+5.00
80.00	70.00	AAP	0.00	0.00	15.00	100	80.00	70.00	75.00	+5.00

12 Month High	Low	Stock	Div	Yld	PE	100	High	Low	Latest	Chge
50.00	40.00	AAP	0.00	0.00	15.00	100	50.00	40.00	45.00	+5.00
40.00	30.00	AAP	0.00	0.00	15.00	100	40.00	30.00	35.00	+5.00
30.00	20.00	AAP	0.00	0.00	15.00	100	30.00	20.00	25.00	+5.00

THE MARKET REPORT

FIRST COLUMN Privatization: France Looks Equal to U.K.

NINE years after what was not the first — but certainly the most dramatic — international privatization in years, the British government is finishing the job. With the sale of the last tranche of shares in what used to be a state-owned telecommunications monopoly, some points of financial success and failure emerge from the political and economic canvas which inevitably forms the backdrop to such issues.

While the economic and political commentators argue over the benefits of the break-up of the state monopoly (still only partial when compared with the parcelling out of the U.S. telecommunications industry), those who invest can be happy. And not just with the investment performance of British Telecom. Every U.K. privatization issue floated in the last nine years has advanced on its flotation price.

Some say this is a case of the U.K. government handing out a kind of bourgeois welfare benefit (if you had enough money to buy a few shares, you could be sure of making a quick return on your investment). Others argue that it is all a product of the cleverness of the financial sector in its insistence that the issues must be attractive to the financial community, including the international institutional investors who wanted handsomely more shares than were on offer when the BT lists closed Friday. Their argument is reinforced by the fact that identical claims are being made to the French government as it ponders its massive privatization program.

New Markets, for the Adventurous

By Barbara Wall

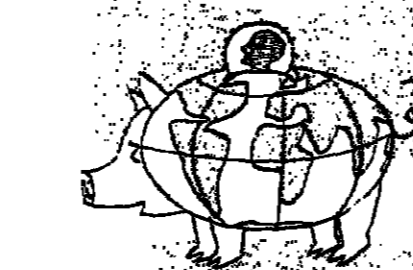
THE money is still pouring into the world's emerging markets, but is it smart money? Three years ago the smart money was investing in the "Asian Tigers" of Singapore, Taiwan and Thailand. It was thought that their pro-market stance and close proximity to China, one of the world's fastest growing markets, would eventually pay off.

Attention soon shifted to the emerging markets of Latin America, East Asia and southern Europe. But highly volatile performances during 1992 and in early 1993 caught many fund managers on the hop and led investors to question whether the emerging markets had finally run out of steam.

Mexico was one of the few Latin American markets to rise steadily throughout 1992, only to slip back during the first quarter of 1993. Brazil, Colombia and Chile all performed badly. Falls in the Asian markets during the first half of 1992 gave the appearance of a general decline in the region's fortunes.

The markets of southern Europe performed dismally. By the second half of the year, the Greek market had fallen 31 percent, Portugal had fallen 22 percent and Turkey 35 percent. "The past year has been an exception in terms of market volatility, but the volatility of emerging markets is generally no greater than developed markets," said a spokesman for Fund Research Ltd., a London-based independent company specializing in mutual fund research.

Some analysts argue that emerging markets are still attractive to international investors because they have the potential for higher growth rates than developed markets. China grew at a 10 percent rate over the last 10 years and is forecast to continue growing at a similar rate for the next 10 years. The developed markets, meanwhile, will be extremely lucky to achieve growth rates of 3 percent.



Emerging Market Performance

Table showing Total return in U.S. dollars to June, 1993, for various markets over 6 months, 1 year, and 3 years.

Source: Morgan Stanley Capital International

country fund. The principle aim of most global funds is to capitalize upon a wide range of investment opportunities in many different markets. Greater diversification means reduced volatility and therefore reduced risk.

Although the funds may look similar, management philosophies differ. The majority of global fund managers identify the country first and then look for suitable stocks. This is known as the "top-down" approach to investment. The philosophy behind this approach is that if market sentiment is favorable and the market rises due to improved liquidity flow, then shares will also rise with it.

For most investors choosing a fund the fund's geographical spread and risk-to-return profile will carry more weight than any underlining investment philosophy.

So, a number of questions should be addressed by would-be investors: Are you looking for a balanced portfolio with representations of all the major great or a fund which is heavily weighted on the Far East or Latin America? Do you want the manager to take gambles or adopt a low-risk investment approach?

Another issue is the investments you already have. You may have an existing fund which is heavily invested in the Far East or Asia — there is no point in duplicating exposure to these regions.

If you are unimpressed by the performances of some global emerging market funds — on average they have underperformed generalist overseas portfolios in the short term — and want to invest in a single country fund, then you must be realistic.

Market sentiment moves quickly and it is difficult to gauge trends because of limited and sketchy market information. Argentina was certainly not the place to be during the first half of 1992, having fallen by 28 percent. But anyone with money in Turkey during 1993 would be sitting pretty as it is among the best performing markets to date this year.

Single-country funds are only really suitable for those investors who have a clear idea of what they are buying and why they are buying," said a spokesman for Gartmore. It is often a case for parking money in a region for five years or more and waiting to see what happens.

Certain regions are downright dangerous to be in. Eastern Europe is keen to encourage foreign investment. But many of the constituent markets do not have the necessary laws in place yet to protect investors.

Few funds will invest in a country unless it has soundly based commercial law, an element frequently lacking in Eastern European countries. A dispute over title or even counterfeit certificates would be very difficult to resolve in these circumstances.

A Templetion spokesman said: "The main problem with the markets of Eastern Europe is that stock prices bear little relationship to their actual value — in many cases it's as if the prices are dreamed up."

Tim Cauton of Oliph & Partners, a company that specializes in country funds, follows two Eastern European funds invested in Hungary and Czechoslovakia: "We advise clients to adopt a long-term investment outlook. Nothing much is going to happen in these markets for the next five to six years," he said.

Finally, you need to be aware of jurisdiction and tax constraints when choosing a fund. According to Fund Research Ltd., "the fund formats and different listings and different listings have different regulatory and taxation features which may be appropriate to different investor categories."

For example, the U.K. Securities and Investment Board does not recognize certain markets — such as Indonesia, Thailand and Chile — because they do not have the necessary regulatory frameworks in place. This effectively means that a U.K.-listed mutual fund is limited to investing just 10 percent of its capability in unapproved regions. There are ways around the problem: Some funds invest through single-country funds, others are listed on other markets or domiciled offshore.

Best Emerging Market Funds

Table listing various emerging market funds and their performance over different periods.

Advertisement for the International Herald Tribune, featuring headlines like 'Mayhem in Somalia', 'Middle East peace talks', and a subscription offer for 44% off the newsstand price.

Cars for Conscience-Stricken Drivers

By Ann Brocklehurst

IT'S a modern-day dilemma. Your environmental conscience has persuaded you to use your car less often. But since most of the costs of car ownership are fixed, the less you drive, the less the investment pays off.

The answer to your problems may be car sharing, a service now available in several European cities and gaining in popularity fast. Berlin is a case in point.

When the 1,200 customers of Berlin's Statauto GmbH need a car, truck or mini-bus, they simply phone a 24-hour hotline and make their requirements known. They pick up their vehicles from one of 18 special Statauto parking spots scattered around the city. The keys and all the necessary papers are locked in a safe at the parking site which customers open with a special key and computerized card.

"You don't have to do anything when you're a member except drive the car," says Carsten Petersen, one of three brothers who founded the car-sharing company in 1990.

"No repairs," he added. "No insurance. No buying gas."

Since the only fixed costs involved in joining Statauto are the 200 DM (\$115) initiation fee, a refundable security deposit of 1,300 DM and a 10 DM monthly charge, customers have no incentive to drive more to get their money's worth. And the less they drive, the less they pay.



The average Statauto customer — a well educated 32-year-old who votes Green — rents a car only once or twice a month. Although charges vary depending on the type of vehicle and when it is used, Statauto users pay 48 pfennig per kilometer to drive an Opel Corsa compared to the 62 pfennig paid by a private owner driving the German average of 15,000 kilometers a year.

Statauto members also enjoy a cleaner conscience. While the cars they drive pollute just as much as those in private hands, members use fewer cars to achieve the same mobility. Statauto's 90 vehicles, rented on average 1.2 times per day and equipped with the latest in environmental technology, travel an annual average of 36,000 kilometers, more than double the national norm. They contribute less to traffic jams and parking chaos.

"We're not against cars. We're just against private cars," said Mr. Petersen who is also the head of the European Car Sharing organization which acts as a consultant to new businesses. ECS has members throughout Germany and in Switzerland, Austria and the Netherlands. Car-sharing operations are currently being set up in Sweden and England.

The expansion of the car-sharing network means that customers can also use the service away from home. Berlin customer Stefan Rohrer has not found car sharing to be an economical alternative for longer trips outside of Berlin. And he is looking forward to being able to take the train to his destination and then having access to a shared car on arrival.

One disadvantage of car sharing is that on weekends, the most popular time for borrowing, Statauto's prices can work out to be slightly higher than the special package deals offered by some car rental companies.

But Statauto also provides other services. Customers can use its "Mobilcard" as a taxi credit card, there are group offers on bicycle insurance, and the company is trying to get customers discounts on train, bus and subway fares.

With new members signing up at a rate of more than one a day in Berlin, Mr. Petersen sees it as an idea whose time has come. "I'm totally optimistic," he said. "I think in 10-15 years, it will be a normal arrangement."

He concedes, however, that there is one group to whom car sharing may never appeal. "There are lots of people who really feel for their cars and our cars and our cars don't give them that type of special feeling. A Statauto car can never be a prestige object."

BRIEFCASE

Fidelity Offers a Service For the Investor in Funds

Fidelity, a major international fund management group, has launched a new service designed to simplify the business of fund investing for the international investor. The idea behind "Funds MarketPlace" is to cater for all the investor's needs in one service.

Key elements of the new service include no-cost telephone dealing, or dealing by mail. Investors also have direct access to specialized dealers. If investors wish to purchase a fund denominated in a currency other than that of the check with which they are paying, currency conversions are done at no additional charge.

Investors may also call for information — but not advice — on individual funds, and can expect to have their financial statements consolidated into one report. Thus, investors will have a statement of the position on equities, bonds and fund investments all in the same report.

"Funds MarketPlace will help streamline our customers' investment activities, enabling the consolidation of all equity, fixed income and managed fund dealing within one stockbroking account," said Judith McMichael, a Fidelity marketing director. For more information, call Fidelity in Britain at (44) 732 777355.

A Few Words on Making Your Broker Your Banker

Question: When is a broker a banker? Answer: When the broker lends you money. The margin account — a credit line extended to brokers to facilitate stock and

bond transactions — is now being used as a means of credit for clients wanting to raise quick cash to buy major items such as cars, according to the latest edition of the Ernst & Young Financial Planning Reporter.

This kind of borrowing is for the sophisticated, hardened investor who knows the kind of risks involved. The downside in borrowing from a margin account is the possibility that a drop in the value of securities held as collateral for the loan may occur. This in turn will lead to a demand for more money to keep the loan good. If the investor does not or cannot find the money to meet the broker's "margin call," the broker may sell some of the securities to satisfy the minimum payment requirement.

Other issues covered in the bi-monthly newsletter include index certificates of deposit, market-linked investments, savings bonds, and tax-efficient ways of divesting yourself of assets.

For more information about the newsletter, which costs \$96 for six issues, write Ernst & Young Financial Planning Reporter, P.O. Box 33337, Washington, D.C. 20033-0337.

Warburg Gold Fund Soars By 181% in the First Half

The bull run in gold bullion has provided a spectacular boost for some funds investing in gold shares. The Mercury Gold & General fund, managed by the London-based mutual fund unit of the S.G. Warburg merchant bank, recorded a gain of 181 percent (calculated in pounds) over the first six months of the year. Gold bullion appreciated by just 21 percent in sterling terms during the period. "Large investors have entered the market

Discounter Charles Schwab Is Planning to Branch Out

Discount brokerage king Charles Schwab, whose omnipresence in television commercials for his company Charles Schwab Corp. has made his face recognizable to millions of American investors, is planning to branch out further in the brokerage and fund industries.

At a Bloomberg Forum held this week in New York, Mr. Schwab said that he plans to market a software package in the fall called "Street Smart," which would provide a wider range of capabilities to investors who conduct trading over their personal computers. Referring to the well-known software product by Microsoft, Mr. Schwab said his new product was "a Windows kind" of advanced software, at one time a technological innovation of the same degree as the one he said he now envisions with "Street Smart," has been highly successful.

Mr. Schwab also told the Bloomberg Forum that he plans to offer his clients shares in an additional 100 mutual funds, free of any transaction charge, within the near future. Over the past year, Schwab Corp. has begun a program enabling investors to buy funds from fund companies with no transaction fee. Mr. Schwab said he's trying to expand that program.

THE MONEY REPORT

Amid Dismal Economic Numbers, Fundamentals Are Looking Up

Outlook



Howard Flight, director, Guinness Flight Global Asset Management

Last month I focused on the lack of political leadership in the Western economies, particularly in the United States and the United Kingdom. Since then, the government of Japan has fallen into a state of collapse and we have witnessed the extraordinary character of an expensive meeting of the Group of Seven industrialized nations in Tokyo, hosted by a Japanese prime minister on his way out.

The U.S. economy is recovering weakly and although relatively well placed, the recovery will remain tepid in comparison with the upswing over the last 20 years, while the United States has still to correct its structural deficits. The U.S. government is still preempting too much of the nation's savings. There are too many barriers to increased employment within the American economy and, as with Europe, an accelerating loss of jobs to the "emerging" parts of the world, in particular China, where manufacturing costs are so much cheaper.

The United Kingdom is now arguably the best-placed mature economy (largely as a result of being the most price-competitive economy in Europe), with the prospect of several years of low-inflation growth, but like the United States it is faced with the problem and difficulties of having to reduce an excessive government budget deficit. Ironically, the external contribution to recovery is coming from Britain's traditional international markets for its exports; the contribution from the European Community is negative, where European markets are shrinking, at high interest rate induced recession spreads across the Continent.

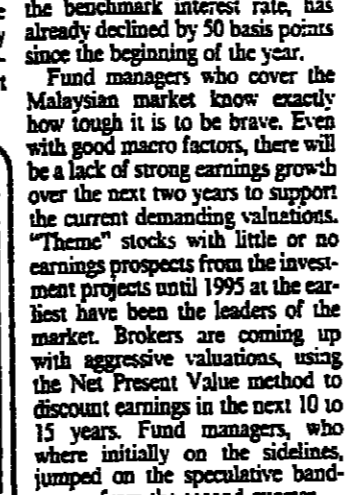
will be effective and I do not perceive the emergence of any key and major new industry, comparable in its role that of the automobile industry of the last 20 years, in carrying forward the Japanese economy at high growth rates.

I believe the intractable economic problems facing the German economy are not capable of being resolved by the present administration, especially in the context of the coming local and national elections. Japan has the greatest fiscal flexibility to keep its economy afloat by increasing government expenditure in the short term, but I question how far this will be effective.



Anna Tong, director, Aetna Investment Management (Hong Kong) Ltd.

A recent visit to Kuala Lumpur when the market was hitting new highs illuminated the need to be wary of an emerging market flooded with carnival spirit. Stocks flooded with carnival spirit. Stocks flooded with carnival spirit. Stocks flooded with carnival spirit.



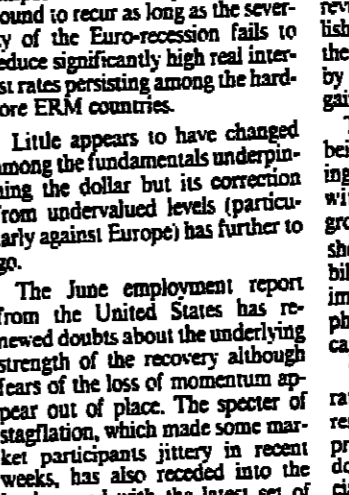
Christopher Kwiecinski, investment manager, Banque Indosuez, Global Private Banking

The U.S. dollar has staged a remarkable turnaround since mid-June by rallying impressively against the European currencies and establishing a reasonably solid floor relative to the Japanese yen. In fact, it was the American currency's turn versus the yen which had triggered the dollar's surge validated subsequently by the Bundesbank's July 1 easing.



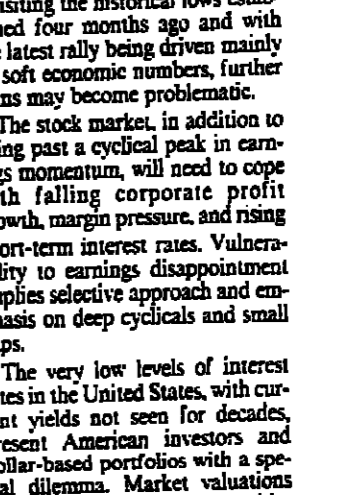
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Christopher Kwiecinski, investment manager, Banque Indosuez, Global Private Banking

The June employment report from the United States has renewed doubts about the underlying strength of the recovery although fears of the loss of momentum appear out of place.



Christopher Kwiecinski, investment manager, Banque Indosuez, Global Private Banking

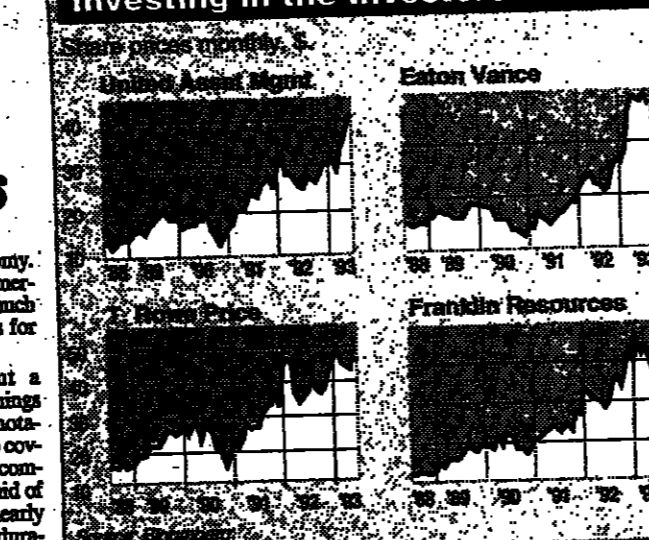
The very low levels of interest rates in the United States, with current yields not seen for decades, present American investors and dollar-based portfolios with a special dilemma. Market valuations are relatively high for the equities and most fixed-income securities, while exposure to non-dollar markets reduces their attractiveness due to expected adverse currency movements.

For Mutual Funds, A Wager on the Management Firms

By Conrad de Aenlle

It is often said that one of the best ways to bet on the future is to put money into mutual funds, and the public has taken that advice to heart for two or three years now, committing record amounts to stock and bond funds. Those who followed the suggestion literally and invested in the actual fund management and marketing companies are likely to have done even better.

Two of the biggest, T. Rowe Price and Franklin Resources, have tripled since the present bull market started late in 1990. Price, one of the larger providers of no-load funds, went from about \$16 to trade around the \$47 level this week and Franklin rose from about \$12 to trade at about \$39.



The shares of fund companies tend to track the movements of the stock market, only more so. During the bear markets of 1987 and 1990, many of the companies whose shares have been given a push lately by the bull trend were notable for their swift, sharp declines. It was not unusual for their values to be cut in half in a matter of a few months.

Something for Less: Buying Shares Direct From Issuing Firms

DOLLAR-COST averaging has become quite popular in the fund business. It allows small investors to buy the same cash value of shares each month or quarter. That means they pick up more shares when prices are lower, and so the method wins nearly unanimous approval from financial advisers. Less well known is that the same strategy can be applied to buy common stock directly from a number of American companies, often very solid, high-yielding ones.

Other companies that offer a discount on reinvested dividends, by notes, are Utility Corp., a gas and electric utility in the United States and Canada, and New Plan Realty, a real estate investment trust that owns shopping centers on the Eastern Seaboard. Each offers a 5 percent reduction.

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SPORTS TOUR DE FRANCE

A 'Nobody' Wins, Prodigy Retreats

By Samuel Abt
International Herald Tribune

MARSEILLE — It was a day of surprises.

Fabio Rosciani, an Italian with the Carrera team whose name was previously known primarily to family and friends, won Friday's 12th stage of the Tour de France by more than seven minutes.

And Lance Armstrong, the American bicycling prodigy who started the race at the tender age of 21 as "a learning experience," decided Friday morning that he had received enough lessons while giving a big one himself and that school was out.

The distance, 287.5 kilometers (187.6 miles), was the longest daily stage in this Tour. But it would have offered the boy from Plano, Texas, a few final lessons.

One was how to steal a victory. Rosciani went off alone at Kilometer 104 and built a lead of as much as 16 minutes, 10 seconds as the pack refused to respond.

Perhaps it was the heat of a perfect summer's day, perhaps it was exhaustion after the Alpine ordeal, perhaps it was that Rosciani started the day in 123d place, nearly an hour and 20 minutes behind the leader, Miguel Indurain, and was dangerous to nobody high in the standings. Or, perhaps, it was simply a collective present—a day off vacation—for Indurain on his 29th birthday.

Whatever the reason, Rosciani, who has spent his career in the shadows, fetching raincoats and water bottles for Carrera leaders, held on to win by 7 minutes, 14 seconds and moved up to 70th place overall. His total time was 7 hours, 29 minutes, 44 seconds at a speed of 38.2 kilometers an hour (nearly 24 miles an hour). It was the first known victory for the Italian, who will turn 28 on Sunday, since he became a professional in 1987.

Second was Massimo Ghirotto, an Italian with ZG Mobil, and third was Vladimir Poutnikov, a Ukrainian with Carrera. The main pack, including the overall leaders, was 20:35 behind Rosciani.

There was no change in the overall standings, where Indurain, a Spaniard with Banesto, rules by 3:23.

Rosciani had no plans for the long breakaway, he explained later. "I just saw the chance and went," he said.

The stage began with the manager of Armstrong's Motorola team, Jim Ochowicz, announcing that "Lance is not here for the start today. Lance is done, he's finished today. He's going by car to his home in Italy."

"It was time. This morning, when he woke up, his blood pressure was a little bit off, his pulse was up and it was time to say, 'Hey, Sayonara,' to this."

"He reached his goals," Ochowicz said. "He got a lot of

experience out of his 12 days in the Tour de France, so he's leaving in a very positive mode."

Armstrong said the same Thursday morning before the start of the second of two demanding stages in the Alps.

Referring to his victory in a stirring sprint finish on Sunday, he said, "I'm still learning, but I've already accomplished everything I want to do."

"I'm not going to push myself too much today," he went on. "If I feel like I'm digging a hole, then I'm going to retire myself from the race."

The American struggled through the Alps. He described the first stage, 204 kilometers as "too long and too cold" after he finished 86th, nearly 22 minutes behind the winner. On Thursday he was 97th, nearly 29 minutes behind, after 180 kilometers more. That dropped him to 62d place overall from a high of 12th after his stage victory on Sunday.

He also experienced the frustration that marks struggling riders: He was so far behind Thursday that his team car was no longer waiting for him at the finish line in the mountain resort of Isola 2000 and he had to ride his bicycle yet a few more miles up a dusty gravel trail to his hotel.

"As if the stage wasn't enough, we have to climb this thing," he grumbled, expulsive deleted, in

what amounted to his farewell address to the 80th Tour de France.

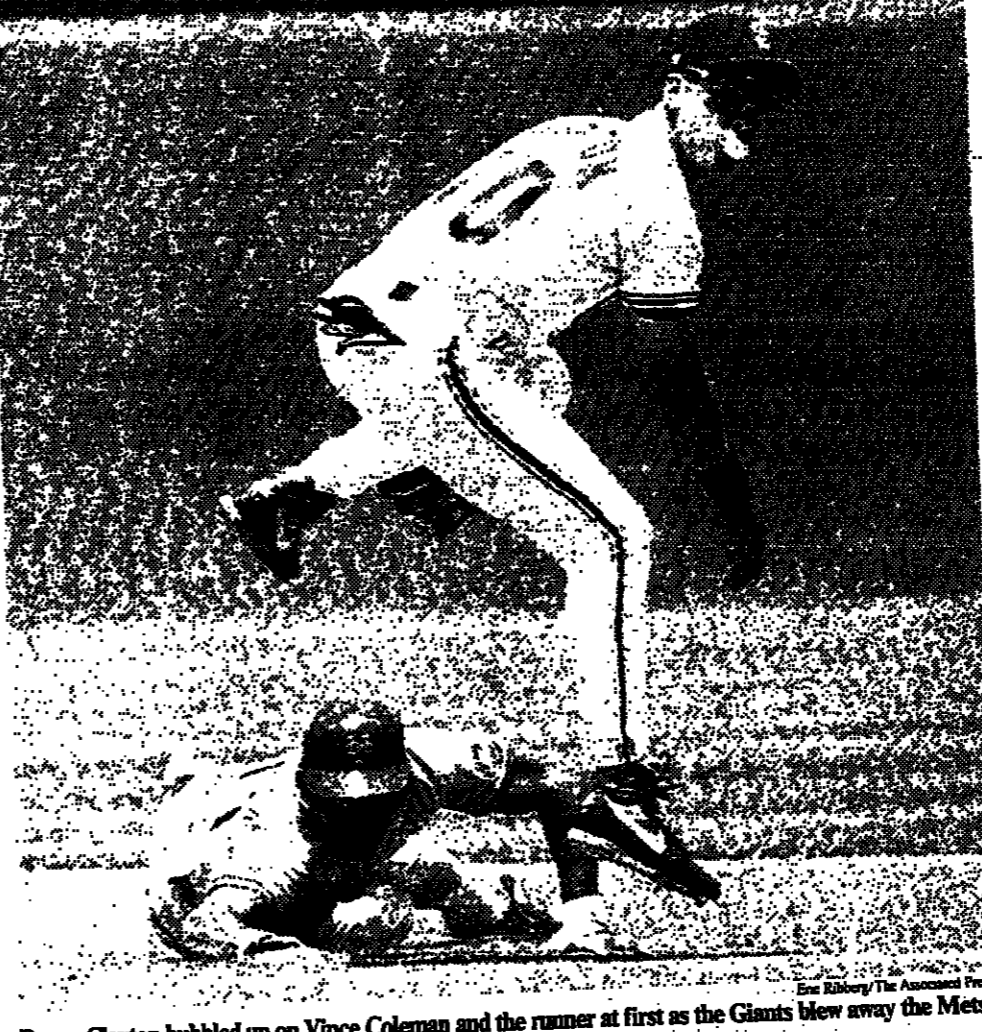
But he missed out on one of the loveliest stages in the last few Tours, traversing the bottom of the Alps and their barren canyons before turning right above Nice and passing through the fertile backlands of Provence.

In its idyllic way, the pack might have been sighting all the way from the start in the Italianate village of Isola, with its amber and pale green walls glowing in the sun, and then through Venice and Grasse, past the Chagall chapel, past palm, cypress and olive trees, past laurel bushes ablaze with pink, white and red flowers. What a change this was from the fields of weathered boulders and patches of dirty snow in the Alps.

Then came long, long kilometers of fields planted in wine grapes for Côte de Provence, an inexpensive and genial red, and Côteaux Varois, ditto, red. Even the finish line, the Mediterranean port of Marseille offered some uplifting views of the sea.

Armstrong, the U.S. professional champion, will get many more chances to enjoy the Tour's vistas.

"He's definitely got the fight to be a top rider," Ochowicz said. "He left here knowing he's got to work a little bit on his training and his climbing. In the other stages, he can handle that. He's already well ahead of the game there."



Royce Clayton bubbled up on Vince Coleman and the runner at first as the Giants blew away the Mets.

2 All-Stars Lift Jays Past Royals

The Associated Press

The bats that finally awoke in the All-Star Game helped Toronto end a horrendous slump.

Paul Molitor and John Olerud, two of the seven Blue Jays on the victorious American League squad, hit bases-empty homers Thursday as Toronto came from behind to end a five-game losing streak with a 7-2 victory over visiting Kansas City.

"I know the whole bullpen got a lift when Mottie's ball sailed over our heads," said Al Leiter, the winning pitcher. "It kind of picked up the whole team and made us think, hey, we can hit!" the Royals' starter, David Cone.

"Then," he added, "when Johnny took him deep, we felt that this was the game."

The two homers just pulled Toronto even. But Olerud walked with the bases loaded to force in the go-ahead run in the eighth as the Blue Jays erupted for five runs.

Tony Fernandez greeted the reliever Tom Gordon with a two-run double and Pat Borders hit a run-scoring ground-out before Gordon's wild pitch allowed another run to score.

Rangers 12, Tigers 7: Rafael Palmeiro hit two homers and two doubles, for four RBIs, against visiting Detroit, as Texas won its fifth straight.

Indians 3, Angels 3: Albert Belle hit a three-run homer against California as Cleveland, playing at home, broke a four-game losing streak.

The Indians scored four runs in the seventh, aided by three California errors.

Orioles 5, Twins 3: Harold Reynolds got three hits, one his first homer in more than a year, as resurgent Baltimore, at home, beat struggling Minnesota.

Mariners 3, Red Sox 2: Dave Fleming and three relievers combined on a six-hitter in Boston as Seattle won its sixth straight.

The Mariners scored their runs in the fourth on an RBI grounder by Dave Valle and hits by Omar Vizquel and Rich Amaral.

Adrian's 8, Yankees 3: Ricky Henderson had four hits and Ruben Sierra matched a career best with five RBIs, three with a homer during Oakland's six-run seventh in New York. The Yankees lost for the ninth time in 11 games.

White Sox 6, Brewers 4: Steve Sax stole a base for visiting Chicago, then scored the go-ahead run on an eighth-inning error by Milwaukee third baseman B.J. Surhoff.

AL ROUNDUP

Slipping Phillies Fold In 7th, Padres Win, 5-2

The Associated Press

The Philadelphia Phillies are still struggling.

Tony Gwynn hit a two-out, two-run infield single to break a seventh-inning tie Thursday as the Padres beat the Phillies, 5-2, in San Diego. It was the first-place Phillies' fifth loss in their last seven games and it cut their lead over St. Louis to four games in the National League East. It had been an 11½-game lead on June 14.

"We didn't make the plays necessary defensively to win the game," said the Phillies' manager, Jim Fregosi.

Starter Danny Jackson allowed three hits in 6½ innings but had a season-high seven walks. He has lost four straight decisions.

An error by first baseman John Kruk on Archi Cianfranco's hopper to start the seventh resulted in two unearned runs. With one out, Jackson gave up consecutive walks to load the bases and was replaced by Larry Andersen.

Pinch-hitter Jeff Gardner then hit into a force-out, with Cianfranco out at the plate, but Gwynn put the Padres ahead with a hard-hit grounder that deflected off Kruk.

Cardinals 4, Astros 2: Mark Whiten hit a three-run homer off Doug Drabek as St. Louis beat visiting Houston.

Giants 8, Mets 1: Matt Williams' two-run homer led to a four-run fourth as San Francisco crushed visiting New York.

Braves 4, Pirates 0: Tom Glavine held visiting Pittsburgh to five hits for seven innings and Otis Nixon

NL ROUNDUP

Justice Ministry Suing Tapie

Compiled by Our Staff From Dispatches

PARIS — The Justice Ministry filed a libel suit Friday against Bernard Tapie over his accusations that "Gestapo" methods are being used to investigate the bribery allegations that have made against the beleaguered soccer team Olympique Marseille, of which Tapie is the president and principal owner.

Justice Minister Pierre Mehaengnier said the proceedings were meant "to protect the judiciary against serious accusations."

Tapie's comments on the investigation, in a magazine interview, outraged prosecutors and investigating magistrates.

But the unrepentant Tapie said that the suit would be a chance to "expose the incredible methods" used to investigate allegations made by three Valenciennes players that they were offered bribes before a match against Marseille.

The minister said the editor and two journalists of the magazine

Conner Appears to Have Set Record For Trans-Atlantic Yacht Crossing

The Associated Press

SOUTHAMPTON, England — American skipper Dennis Conner claimed a trans-Atlantic crossing record Friday when he piloted the Winston into harbor minutes after midnight to win the Gold Cup Trans-Atlantic Yacht Race.

The Winston completed the voyage from New York to Southampton in 12 days, 8 hours, 4 minutes, 12 seconds. It also clocked a time of 11 days, 18 hours from Ambrose Lighthouse in New York harbor to Lizard Point at the entrance to the English Channel, the landmark traditionally used to measure trans-Atlantic crossings.

If ratified, the time would be the fastest crossing made by a monohull yacht in race conditions. The previous record was 12 days, 4 hours, set by the schooner Atlantic in 1905.

The Winston, in its maiden race, finished nearly three hours ahead of the second-place Broomstick of South Africa, skippered by Joseph de Kock, Britain's Dolphin and Youth, with Chris Humphries at the helm, was third. The race was a tune-up for the Whitbread round-the-world race, which starts from Southampton on Sept. 25.

Peter Johnson of the World Sailing Speed Records Committee, which will judge the validity of the time, said the fastest time ever recorded for a monohull crossing was made in non-race conditions by the French yacht Phoebe in 1988. But its time of 8 days, 3 hours, 29 minutes has not been ratified because of questions over whether the yacht used a powered sailing system.

FISA Retreats on Imposing Fuel Penalties

Compiled by Our Staff From Dispatches

PARIS — Alain Prost still had 50 Grand Prix victories on Friday after FISA backed off from levying penalties for the use of what it had previously said were illegal teams to the "benefit of the doubt" and not overturn the results at San Marino, Spain, Monaco and Canada after a technical report claimed fuels used by the leading teams were illegal.

Three of the races were won by

SIDELINES

Kukoc Reportedly Gets \$14 Million

CHICAGO (AP) — Croatian star Toni Kukoc has agreed to seven-year contract with the three-time NBA champion Chicago Bulls for \$14.6 million, the Chicago Sun-Times reported Friday.

Citing unidentified sources in Europe, the newspaper said that the three-time European player of the year will go to Chicago this weekend and that an announcement is tentatively scheduled for Monday.

For the Record

Yuri Arbachakov of Russia retained his WBC flyweight title and remained unbeaten with a hard-fought but unanimous decision in Kobe, Japan, over Ysaias Zamudio of the United States. (AP)

Brian Laudrup, a member of Denmark's 1992 European championship team, has joined Italian champion AC Milan on a year's loan from relegated Fiorentina, a club spokesman said. (Reuters)

DENNIS THE MENACE



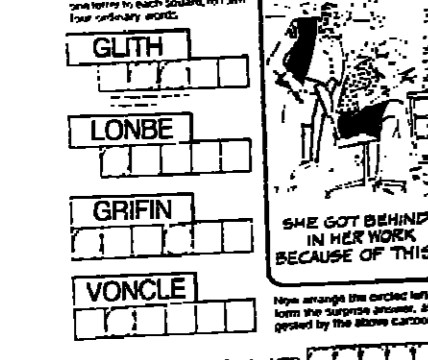
PEANUTS



CALVIN AND HOBBES



JUMBLE



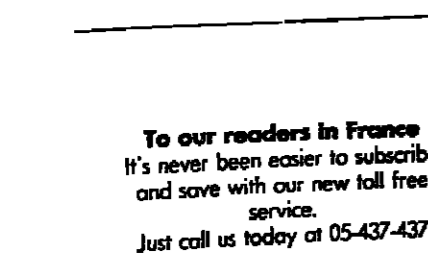
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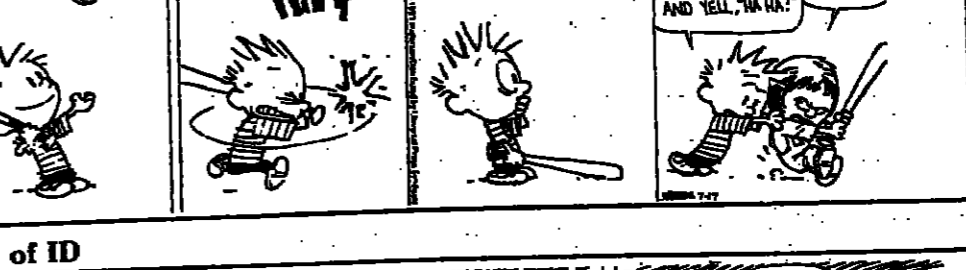


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DAVE BARRY

The Earthworm Crisis

MIAMI — I am sick and tired of waiting for our so-called "leaders" to stop nattering about the federal budget deficit, and instead roll up their sleeves and DO something about the worsening Canadian earthworm crisis.

Out of Kentucky, a Rebel With Causes

By Megan Rosenfeld

WASHINGTON — Writer Barbara Kingsolver wears an expression of such gravity and reserve that the red high-top sneakers at the end of her long, lean frame seem a deliberate gesture of idiosyncrasy, like the president playing the saxophone.



Author Kingsolver's credo: "Do something about the wrong things."

attitude, the locals were lined up around the building, holding copies of the book for her to sign.

"This is the real fantasy: The high school football heroes I had longed for in adolescence were standing in line waiting for my autograph. My whole life turned around in that moment. I had a kind of peaceful acceptance of my life there. I realized that it trained me to be what I am now. I had an excellent education in well-roundedness. You learn more about people that way, because you are always watching."

PEOPLE

Leno Puts Moratorium On Ted Kennedy Jokes

Senator Edward M. Kennedy can breathe easier when he watches the "Tonight Show." Jay Leno has decided to lay off the Kennedy jokes.

Steve Wyatt, the Texan who reported romance with Sarah Ferguson helped erode her marriage to Prince Andrew, is reportedly planning a marriage of his own to Catherine Magennis, Virginia's secretary of economic development.

Princess Diana attended the London premiere of "Jungle Park" but she did not bring along her young sons, Prince William and Prince Harry, apparently following the lead of director Steven Spielberg.

Mickey Rooney, who was brought in to "The Will Rogers Follies" after Maria Mapple withdrew from the Broadway musical to await the birth of her baby, hasn't been able to stop the slide in ticket sales. Unless he makes a pickup, the show will close this month.

Bob Dylan canceled a Friday night concert in Lyon due to an unspecified illness. The show was among his last before his European tour ends at a festival in Bern.

INTERNATIONAL CLASSIFIED Appears on Pages 4 & 7

WEATHER

Weather forecast tables for Europe, Asia, North America, Middle East, and Latin America, including temperature and precipitation data.

THIS WEEKEND AT THE BEACH

Beach weather forecast tables for Saturday and Sunday, including location, weather, high/low temperatures, and wind data.

If you're going to travel all over the map, here's how to call from almost any point on it.



AT&T Access Numbers table listing international phone numbers for various countries and regions.

AT&T puts the world at your fingertips. Just dial the AT&T... access number of the country you're calling from for quick, clear connections back to the U.S. and lots of other countries.